UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(*Mark One*)

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2005

☐ **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.

(*Exact name of small business issuer as specified 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, WA 99208
(*Address of principal executive offices*)

(509) 921-7322
(*Issuer's telephone number*)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the 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 ☐

Shares outstanding as of November 18, 2005: 90,941,931 shares of common stock, with no par value

Transitional Small Business Disclosure Format (*Check One*): Yes ☐ No ☒

TABLE OF CONTENTS

		Page
PART I - FINANCIAL INFORMATION		
Item 1	Consolidated Financial Statements (Unaudited)	
	Consolidated Balance Sheets …………………………………………	3
	Consolidated Statements of Operations and Accumulated Deficit ..…………………………………………………	4
	Consolidated Statements of Mineral Properties and Deferred Exploration Costs ……………………………………………	5
	Consolidated Statements of Cash Flows ………………………………	6
	Notes to Consolidated Financial Statements …………………………..	8
Item 2	Management's Discussion and Analysis and Plan of Operations……..	18
Item 3	Controls and Procedures ……………………………………………….	24
PART II - OTHER INFORMATION		
Item 2	Changes in Securities …………………………………………………..	25
Item 6	Exhibits and Reports on Form 8-K ……………………………………..	25
SIGNATURES ………………………………………………………………………..		26

MINERA ANDES INC.
“An Exploration Stage Corporation”
CONSOLIDATED BALANCE SHEETS
(U.S. Dollars - Unaudited)

	September 30, 2005	December 31, 2004
ASSETS		
Current:		
Cash and cash equivalents	$ 1,367,029	$ 1,726,820
Receivables and prepaid expenses	79,779	111,570
Total current assets	1,446,808	1,838,390
Mineral properties and deferred exploration costs (Note 4)	4,220,047	2,827,655
Investment (Note 5)	15,685,112	7,345,840
Equipment, net	75,466	97,655
Total assets	$ 21,427,433	$ 12,109,540
LIABILITIES		
Current:		
Accounts payable and accruals	$ 65,122	$ 257,268
Bank loan interest payable	50,838	3,913
Total current liabilities	115,960	261,181
Bank loan (Note 6)	3,541,314	653,800
Total liabilities	3,657,274	914,981
SHAREHOLDERS’ EQUITY		
Preferred shares, no par value, unlimited number authorized, none issued	--	--
Common shares, no par value, unlimited number authorized Issued September 30, 2005 – 90,818,505 shares (Note 3) Issued December 31, 2004 – 71,586,806 shares	36,659,678	28,711,334
Contributed surplus - stock option compensation	1,954,880	1,663,677
Accumulated deficit	(20,844,399)	(19,180,452)
Total shareholders’ equity	17,770,159	11,194,559
Total liabilities and shareholders’ equity	$ 21,427,433	$ 12,109,540

Approved by the Board of Directors:

/s/ Allen V. Ambrose
Allen V. Ambrose, Director

/s/ Bonnie L. Kuhn
Bonnie L. Kuhn, Director

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

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

	Three Months Ended		Nine Months Ended		Period from July 1, 1994 (commencement) through September 30, 2005 (Cumulative)
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004	
Consulting fees	$ 101,749	$ 202,730	$ 296,251	$ 431,927	$ 2,262,475
Depreciation	2,691	10,816	7,683	28,187	85,180
Equipment rental	--	--	--	--	21,522
Foreign exchange (gain) loss	(73,188)	(241,049)	68,627	(124,899)	165,310
Insurance	18,069	18,419	53,589	55,289	375,660
Legal, audit and accounting fees	55,020	48,797	129,232	183,295	1,640,437
Materials, supplies and maintenance	--	361	--	361	49,260
Office overhead and administration fees	45,528	170,808	232,711	322,641	2,621,455
Telephone	7,413	8,871	25,161	24,033	441,995
Transfer agent	12,218	1,602	15,429	6,127	132,185
Travel	6,207	14,354	61,071	49,281	519,898
Wages and benefits	79,712	359,967	211,734	456,616	2,268,751
Write-off of deferred exploration costs	--	--	--	--	8,540,235
Total expenses	255,419	595,676	1,101,488	1,432,858	19,124,363
Gain on sale of equipment	--	(4,614)	--	(4,614)	(112,330)
Gain on sale of property	--	--	--	--	(898,241)
Loss on investment (Note 5)	212,098	--	539,673	--	960,022
Interest income	(15,277)	(21,042)	(52,750)	(60,703)	(593,153)
Net loss for the period	452,240	570,020	1,588,411	1,367,541	18,480,661
Accumulated deficit, beginning of the period, as previously reported	20,392,159	17,919,068	19,180,452	16,356,398	--
Adjustment for change in accounting for stock-based compensation (Note 2)	--	--	--	678,569	678,569
	20,392,159	17,919,068	19,180,452	17,034,967	678,569
Adjustment on acquisition of royalty interest	--	--	--	--	500,000
Share issue costs	--	--	75,536	86,580	1,167,954
Deficiency on acquisition of subsidiary	--	--	--	--	17,215
Accumulated deficit, end of the period	$ 20,844,399	$ 18,489,088	$ 20,844,399	$ 18,489,088	$ 20,844,399
Basic and diluted net loss per common share	$ 0.00	$ 0.01	$ 0.02	$ 0.02	
Weighted average shares outstanding	90,657,475	70,333,061	78,519,041	67,475,720	

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

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

	Three Months Ended		Nine Months Ended		Period from July 1, 1994 (commencement) through September 30, 2005 (Cumulative)
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004	
Administration fees	$ --	$ --	$ --	$ --	$ 392,837
Assays and analytical	12,374	44,256	99,224	93,553	1,157,041
Construction and trenching	--	--	7,932	170	534,283
Consulting fees	18,390	13,977	118,785	53,447	1,291,578
Depreciation	6,268	--	18,789	--	215,856
Drilling	--	1,383	396,110	244,343	1,589,393
Equipment rental	--	--	84,303	132,688	505,252
Geology	60,022	43,581	223,345	335,172	3,972,680
Geophysics	2,700	--	65,058	--	374,960
Insurance	--	--	1,853	--	257,412
Legal	24,723	--	64,781	220	806,268
Maintenance	688	4,231	6,112	15,994	187,326
Materials and supplies	3,598	2,648	29,805	31,641	505,078
Project overhead	13,437	1,488	44,225	15,597	429,883
Property and mineral rights	10,871	13,208	31,210	54,477	1,443,809
Telephone	4,589	2,211	20,890	9,780	129,906
Travel	18,013	10,925	81,605	60,712	1,295,619
Wages and benefits	33,558	23,777	98,365	89,760	1,394,843
Costs incurred during the period	209,231	161,685	1,392,392	1,137,554	16,484,024
Deferred costs, beginning of the period	4,010,816	1,891,168	2,827,655	915,299	--
Deferred costs, acquired	--	--	--	--	576,139
Deferred costs, contributed to MSC	--	--	--	--	(2,320,980)
Deferred costs written off	--	--	--	--	(8,540,235)
Mineral property option proceeds	--	--	--	--	(1,978,901)
Deferred costs, end of the period	$ 4,220,047	$ 2,052,853	$ 4,220,047	$ 2,052,853	$ 4,220,047

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

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

	Three Months Ended		Nine Months Ended		Period from July 1, 1994 (commencement) through September 30, 2005 (Cumulative)
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004	
Operating Activities:					
Net loss for the period	$ (452,240)	$ (570,020)	$ (1,588,411)	$ (1,367,541)	$ (18,480,661)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Write-off of incorporation costs	--	--	--	--	665
Write-off of deferred exploration costs	--	--	--	--	8,540,235
Loss on investment	212,098	--	539,673	--	960,022
Depreciation	2,691	10,816	7,683	28,187	85,180
Stock option compensation	9,230	413,507	27,403	447,686	666,311
Gain on sale of equipment	--	(4,614)	--	(4,614)	(112,330)
Gain on sale of mineral properties	--	--	--	--	(898,241)
Change in:					
Receivables and prepaid expenses	7,243	154,794	31,791	178,535	(79,779)
Accounts payable and accruals	(201,146)	(33,897)	(192,147)	(49,797)	65,122
Due to related parties	--	--	--	(30,531)	--
Cash used in operating activities	(422,124)	(29,414)	(1,174,008)	(798,075)	(9,253,476)
Investing Activities:					
Incorporation costs	--	--	--	--	(665)
Purchase of equipment	(1,798)	(35,277)	(4,283)	(46,682)	(305,613)
Proceeds from sale of equipment	--	6,500	--	6,500	14,225
Proceeds from sale of property					898,241
Mineral properties and deferred exploration	(202,963)	(161,685)	(1,373,603)	(1,137,554)	(16,268,168)
Investment	(3,812,687)	(1,921,569)	(9,080,705)	(1,921,569)	(14,922,001)
Proceeds from sale of subsidiaries	--	--	--	--	9,398
Acquisition of royalty interest	--	--	--	--	(500,000)
Mineral property option proceeds	200,000	200,000	400,000	400,000	2,778,901
Cash used in investing activities	(3,817,448)	(1,912,031)	(10,058,591)	(2,699,305)	(28,295,682)

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

	Three Months Ended		Nine Months Ended		Period from July 1, 1994 (commencement) Through
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004	September 30, 2005 (Cumulative)
Financing Activities:					
Shares and subscriptions issued for cash, less issue costs	42,654	40,267	7,872,808	4,670,319	34,916,187
Bank loan proceeds received	2,000,000	--	3,000,000	--	4,000,000
Cash provided by financing activities	2,042,654	40,267	10,872,808	4,670,319	38,916,187
Increase (decrease) in cash and cash equivalents	(2,196,918)	(1,901,178)	(359,791)	1,172,939	1,367,029
Cash and cash equivalents, beginning of period	3,563,947	5,308,459	1,726,820	2,234,342	--
Cash and cash equivalents, end of period	$ 1,367,029	$ 3,407,281	$ 1,367,029	$ 3,407,281	$ 1,367,029
Supplementary disclosure cash flow information:					
Interest paid	$ 26,007	$ --	$ 56,544	$ --	$ 56,544
Non-cash investing and financing activities and other information:					
Stock option compensation	$ 9,230	$ 413,507	$ 27,403	$ 447,686	$ 666,311
Capitalized interest (Note 6)	$ 99,727	$ --	$ 198,239	$ --	$ 202,153
Depreciation capitalized to mineral properties	$ 6,268	$ --	$ 18,789	$ --	$ 215,856
Adjustment for change in accounting for stock-based compensation (Note 2)	$ --	$ --	$ --	$ --	$ 678,569
Deferred costs, acquired	$ --	$ --	$ --	$ --	$ 576,139
Deferred costs, contributed to MSC	$ --	$ --	$ --	$ --	$ 2,320,980
Shares issued for acquisition	$ --	$ --	$ --	$ --	$ 575,537

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

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

1. Accounting Policies, Financial Condition and Liquidity

The accompanying consolidated financial statements of Minera Andes Inc. (the "Company") for the three and nine month periods ended September 30, 2005 and 2004 and for the cumulative period from commencement (July 1, 1994) through September 30, 2005 have been prepared in accordance with accounting principles generally accepted in Canada which differ in certain respects from accounting principles generally accepted in the United States, as described in Note 11. Also, they are unaudited but, in the opinion of management, include all adjustments, consisting only of normal recurring items, necessary for a fair presentation. Interim results are not necessarily indicative of results which may be achieved in the future. The December 31, 2004 financial information has been derived from the Company's audited consolidated financial statements.

These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2004 included in our annual report on Form 10-KSB ("the 2004 10-KSB") for the year ended December 31, 2004 on file with the Securities and Exchange Commission and with the TSX Venture Exchange. The accounting policies set forth in the audited annual consolidated financial statements are the same as the accounting policies utilized in the preparation of these consolidated financial statements, except as modified for appropriate interim presentation.

The recoverability of amounts shown as mineral properties and deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and future profitable production or disposition thereof. Concerning the recoverability of the amount shown as investment in MSC, we announced the results of a feasibility study subsequent to September 30, 2005 (see note 12); a letter of offer to provide a limited recourse project finance loan facility was accepted in July 2005 (see note 5),

The accompanying consolidated financial statements have been prepared using accounting principles generally accepted in Canada applicable to a going concern. The use of such principles may not be appropriate because, as of September 30, 2005, there was substantial doubt that the Company would be able to continue as a going concern.

For the nine months ended September 30, 2005 the Company had a loss of $1.6 million and an accumulated deficit of $20.8 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, the Company has financed its activities through the sale of equity securities and joint venture arrangements. The Company expects to use similar financing techniques in the future.

Although there is no assurance that the Company will be successful in these actions, management believes that they will be able to secure the necessary financing to enable it to continue as a going concern. Accordingly, these financial statements do not reflect adjustments to the carrying value of assets and liabilities, and 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. Change in Accounting Policy

Effective January 1, 2004, we adopted, on a retroactive basis without restatement, the recommendations of CICA Handbook Section 3870, “Stock-based compensation and other stock-based payments”, which now requires companies to adopt the fair value based method for all stock-based awards granted on or after January 1, 2002. Previously we were only required to disclose the pro forma effect of stock options issued to employees and directors 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 reported contributed surplus.

3. Changes to Share Capital

	Number of Shares	Amount
Balance, December 31, 2004	71,586,806	$ 28,711,334
Issued for cash on exercise of options	253,500	34,055
Issued for cash on exercise of warrants	22,500	9,230
Issued for cash on exercise of broker warrants	775,249	221,606
Issued for cash (private placement Cdn$0.55 each)	18,180,450	7,683,453
Balance, September 30, 2005	90,818,505	$ 36,659,678

During the three months ended September 30, 2005, we issued 228,500 common shares for the exercise of stock options and 40,286 shares for the exercise of broker warrants with gross proceeds of $42,654.

During the three months ended June 30, 2005, we issued 25,000 common shares for the exercise of stock options and 445,215 shares for the exercise of broker warrants with gross proceeds of $129,069.

During the three months ended March 31, 2005, we issued 22,500 common shares for the exercise of purchase warrants and 289,748 shares for the exercise of broker warrants with gross proceeds of $93,168.

On March 22, 2005, we sold 18,180,450 units to accredited investors at a price of Cdn$0.55 per unit for net proceeds of Cdn$9,299,300 (US$7,683,453). 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 5 years from the closing date. The agents received a cash commission of 7% of the gross proceeds of the financing. The agents also received 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 2 years from the date of issue. A total of 18,180,450 common shares were issued pursuant to the private placement, and 9,090,225 common shares are reserved for issuance on exercise of the warrants and 1,272,632 common shares are reserved for issuance on the exercise of the agent’s warrants.

4. Mineral Properties and Deferred Exploration Costs

At September 30, 2005, the Company, through its subsidiaries, held interests in approximately 203,562 hectares of mineral rights and mining lands in three Argentine provinces, including approximately 40,000 hectares in the co-owned San José project. Under its present acquisition and exploration programs, the

Company is continually acquiring additional mineral property interests and exploring and evaluating our properties. If, after evaluation, a property does not meet the Company's requirements, then the property and deferred exploration costs are written off to operations. Mineral property costs and deferred exploration costs, net of mineral property option proceeds, are as follows:

2005 COSTS BY PROPERTY

Description	San Juan Cateos	Santa Cruz Cateos	Chubut Cateos	General Exploration	Total
Balance, beginning of period	$ 1,065,399	$ 1,582,043	$ 180,213	$ --	$ 2,827,655
Assays and analytical	--	99,224	--	--	99,224
Construction and trenching	--	7,932	--	--	7,932
Consulting fees	2,448	42,457	11,044	62,836	118,785
Depreciation	--	--	--	18,789	18,789
Drilling	--	396,110	--	--	396,110
Equipment Rental	--	84,303	--	--	84,303
Geology	1,186	179,194	3,480	39,485	223,345
Geophysics	--	65,058	--	--	65,058
Insurance	--	--	--	1,853	1,853
Legal	--	--	--	64,781	64,781
Maintenance	--	5,429	--	683	6,112
Materials and supplies	51	24,360	350	5,044	29,805
Project overhead	95	2,581	1,574	39,975	44,225
Property and mineral rights	9,536	20,489	1,185	--	31,210
Telephone	3	13,357	11	7,519	20,890
Travel	148	46,568	183	34,706	81,605
Wages and benefits	3,923	14,718	--	79,724	98,365
Overhead allocation	27,021	317,163	11,211	(355,395)	--
Balance, end of period	**$ 1,109,810**	**$ 2,900,986**	**$ 209,251**	**$ --**	**$ 4,220,047**

The San Juan Province project is comprised of six properties totaling 20,900 hectares (“ha”) in southwestern San Juan province. Land holding costs for 2005 are estimated at $1,616. Expenditures to date in 2005 relate to an ongoing land maintenance and exploration program at the Los Azules project.

In Santa Cruz, we control 20 cateos and 57 manifestations of discovery totaling 122,263 ha. Land holding costs for 2005 are estimated at $3,819. Expenditures to date in 2005 on the Santa Cruz properties reflect the continuation of a regional reconnaissance program.

We currently hold 20 manifestations of discovery, totaling 19,900 ha, in Chubut province. Land holding costs for 2005 are estimated at $2,020. Expenditures to date in 2005 relate to an ongoing reconnaissance exploration program on lands acquired in 2002.

5. Investment (San José Project)

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

	2005
Investment in MSC, January 1, 2005	$ 7,345,840
Plus:	
Deferred costs incurred	409,945
Advances during the period	8,869,000
Option agreement proceeds	(400,000)
Loss from equity investment	(539,673)
Investment in MSC, September 30, 2005	$ 15,685,112

The San José project is owned by Minera Santa Cruz S.A. ("MSC"), an Argentine corporation owned by Minera Andes Inc. (49%) and Mauricio Hoschschild & Cia. Ltda. ("MHC") (51%). Our obligation will be 49% of the costs related to the San José project, to maintain our interest in MSC.

Deferred costs incurred for $409,945 include, among other things, engineering consulting costs, legal fees, and interest and finance costs related to our investment in MSC.

In July 2005, MSC accepted a letter of offer from Standard Bank Plc ("Standard Bank") and Bayerische Hypo- und Vereinsbank AG ("HVB") to provide a limited recourse project finance loan facility of up to US$50 million for construction through production at the San Jose/Huevos Verdes gold/silver project in Argentina. The offer from Standard Bank and HVB was chosen after a competitive tender process and negotiations with several consortiums of international banks all well recognized as having extensive mining finance experience.

The US$50 million debt facility to be provided by Standard Bank and HVB is subject, among other things, to completion of a bankable feasibility study, bank due diligence, documentation and certain regulatory approvals. It is anticipated that the facility will be available for drawdown in the 1st quarter of 2006. The facility is substantially non-recourse to Minera Andes and Mauricio Hochschild. As part of the overall facility amount, there is a stand-by facility of up to US$5million available for unanticipated cost over-runs prior to completion and commercial production. The commercial terms of the loan are customary for a loan of this nature and include certain fees and expenses with interest rates of Libor + 3.0% pa prior to project completion and LIBOR + 2.75 to 3.0% pa thereafter. Subject to the completion of the definitive agreement for the debt facility, Minera Andes will pay $250,000 in consulting fees for services rendered to obtain the facility.

MAI will continue to finance its 49% interest of the project costs incurred prior to the drawdown of the loan facility. Our 49% portion of these costs, from October 2005 through drawdown, is estimated to be $7.7 million of which $637,000 were paid subsequent to September 30, 2005.

A bankable feasibility study was completed in October 2005 as further detailed in Note 12.

6. Bank Loan

In December 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 was provided in two tranches to assist in funding 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 6.1%

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. 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. 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 for the first tranche 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 is being accreted and capitalized to our investment in MSC (Note 5) 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 began 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.

In July 2005, we received the second tranche of $2,000,000. In addition, we issued share purchase warrants to acquire 3,987,742 of our Common Shares at an exercise price of Cdn$0.62 per share. 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.

The fair value of the warrants for the second tranche was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield – Nil; risk free interest rate – 3.99%; expected volatility of 55.8% and an expected life of 24 months. The difference between the allocated fair value and the face value of the debt of $263,800 was initially recorded as a debt discount with a corresponding entry to contributed surplus. The debt discount is being accreted and capitalized to our investment in MSC (Note 5) over the term of the debt using the effective interest rate method. The accretion of the debt discount began in August 2005.

The bank loan and debt discount are summarized as follows:

	Face Amount	Discount	Carrying Value
Bank loan, initial tranche, being the balance at January 1, 2005	$ 1,000,000	$ 346,200	$ 653,800
Remainder of first tranche received	1,000,000	--	1,000,000
Second tranche received	2,000,000	263,800	1,736,200
Accretion of debt discount	--	(151,314)	151,314
Bank loan, initial and second tranche, being the balance at September 30, 2005	$ 4,000,000	$ 458,686	$ 3,541,314

As at September 30, 2005, interest expense incurred of $103,469, and accreted interest expense related to the debt discount of $151,314 were capitalized to the Investment in MSC (Note 5).

7. Stock Options

A summary of the status of the Company's stock option plan as of September 30, 2005 is:

	Options	Weighted Ave. Exercise Price (Cdn)
Outstanding at January 1, 2005	4,698,500	$0.49
Exercised	(253,500)	$0.16
Outstanding and exercisable at September 30, 2005	4,445,000	$0.51
Exercisable at December 31, 2004	4,608,500	$0.49

At September 30, 2005, there were options held by directors, officers, employees and consultants of the Company for the purchase of common shares as follows:

Number of Shares	Exercise Price	Expiry Date
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
4,445,000		

Concerning stock option compensation, the fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted average assumptions were used for employee and non-employee option grants:

	2005	2004
Dividend yield (%)	–	–
Expected volatility (%)	82.3	93
Risk-free interest rates (%)	3.40	2.90
Expected lives (years)	5.0	5.0

We recorded $27,403, and $447,686 of stock option compensation, related to the vesting of certain non-employee stock options, during the nine months ended September 30, 2005 and 2004, respectively.

8. Warrants

	Warrants	Weighted Ave. Exercise Price (Cdn)
Outstanding and exercisable, January 1, 2005	20,422,759	$0.62
Purchase warrants	13,077,967	$0.68
Brokers' warrants	1,272,632	$0.70
Exercised	(797,749)	$0.35
Expired	(6,000,000)	$0.80
Outstanding and exercisable, September 30, 2005	27,975,609	$0.63

At September 30, 2005, there were warrants outstanding and exercisable as follows:

Number of Warrants	Exercise Price	Expiry Date
557,185	Cdn$0.35	November 13, 2005
2,738,700	Cdn$0.91	December 14, 2006
1,272,632	Cdn$0.70	March 22, 2007
3,987,742	Cdn$0.62	July 20, 2007
10,329,125	Cdn$0.50	November 13, 2008
9,090,225	Cdn$0.70	March 22, 2010
27,975,609		

9. Agreements, Commitments and Contingencies

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 $57,300 in 2004 and $56,500 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 for each period respectively, has been written off against our investment in MSC and is included in our loss from equity investment (Note 5). Funds recovered in the future related to the fraud will be recorded if and when they are received.

10. Related Party Transactions

During the period ended September 30, 2005 we incurred legal fees to a director and officer totaling $33,015 (September 30, 2004 - $58,104). This transaction was in the normal course of operations and was measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11. Differences Between Canadian and United States Generally Accepted Accounting Principles

Differences between Canadian and U.S. generally accepted accounting principles ("GAAP") as they pertain to the Company relate to accounting for the acquisition of Scotia Prime Minerals, Incorporated, compensation expense associated with the release of shares from escrow, mineral properties and deferred exploration costs, stock-based compensation, warrants and bank loan and are described in Note 12 to our consolidated financial statements for the year ended December 31, 2004 in the 2004 10-KSB Annual Report.

During 2004, we adopted new Canadian GAAP rules regarding the utilization of the fair value based method to account for options granted to employees. U.S. GAAP does not require the fair value based method to account for employee based options as of January 1, 2002. Since we have not granted any options to employees in 2005, the retroactive adoption without restatement of the new Canadian requirements has not created differences between Canadian and U.S. GAAP with respect to shareholders' equity at September 30, 2005 nor the net loss for the nine months ended September 30, 2005. There would however have been no adjustment to retained earnings at January 1, 2004 under U.S. GAAP as was required under Canadian GAAP.

Under Canadian GAAP, the corresponding entry to record the debt discount of $346,200 related to the first tranche warrants and $263,800 related to the second tranche 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 Emerging Issues Task Force ("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 $4,115,960, as at September 30, 2005 (December 31, 2004 - $1,261,181). Subsequent to the initial measurement, the discount is remeasured on each balance sheet date based on the fair value of the warrants with the adjustment charged to the Statement of Operations. The fair value of the first tranche warrants, as at September 30, 2005, 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 46% and an expected life of 15 months. The fair value of the second tranche warrants, as at September 30, 2005, was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield – Nil; risk free interest rate – 3.99%; expected volatility of 48.3% and an expected life of 22 months.

The impact of the above on the interim consolidated financial statements is as follows:

	September 30, 2005	**December 31, 2004**
Shareholders' equity, end of period, per Canadian GAAP	$ 17,770,159	$ 11,194,559
Adjustment for mineral properties and deferred exploration costs	(4,220,047)	(2,827,655)
Adjustment for mineral property and deferred exploration cost portion of investment	(15,685,112)	(7,345,840)
Adjustment for fair value of warrants	299,468	--
Adjustment for the debt discount	(610,000)	(346,200)
Shareholders' equity, end of period, per U.S. GAAP	$ (2,445,532)	$ 674,864

	Three Months Ended		**Nine Months Ended**		**Period from July 1, 1994 (commencement) through September 30, 2005 (Cumulative)**
	September 30, 2005	**September 30, 2004**	**September 30, 2005**	**September 30, 2004**	
Net loss for the period, per Canadian GAAP	$ 452,240	$ 570,020	$ 1,588,411	$ 1,367,541	$ 18,480,661
Adjustment for acquisition of Scotia	--	--	--	--	248,590
Adjustment for compensation expense	--	(302,614)	--	(302,614)	6,022,300
Adjustment for fair value of warrants	(126,609)	--	(299,468)	--	(299,468)
Adjustment for deferred exploration costs, net	209,231	161,685	1,392,392	1,137,554	4,220,047
Adjustment for deferred exploration cost portion of investment	3,500,316	1,721,569	8,339,272	1,521,569	15,685,112
Net loss for the period, per U.S. GAAP	$ 4,035,178	$2,150,660	$11,020,607	$ 3,724,050	$ 44,357,242
Net loss per common share, per U.S. GAAP, basic and diluted	$ .04	$ 0.03	$ 0.14	$ 0.05	

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. We did not grant any options to employees during the nine months ended September 30, 2005, therefore there was no pro-forma difference.

New U.S. Accounting Pronouncements

In March 2005, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations—an interpretation of FASB Statement No. 143." This Interpretation clarifies that the term *conditional asset retirement obligation* as used in FASB Statement No. 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred—generally upon acquisition, construction, or development and (or) through the normal operation of the asset. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. Statement 143 acknowledges that in some cases, sufficient information may not be available to reasonably estimate the fair value of an asset retirement obligation. This Interpretation also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation.

In May 2005, the Financial Accounting Standards Board ("FASB") issued SFAS No. 154, "Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. The statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, this statement requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period rather than being reported in an income statement. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, this statement requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable.

In December 2004, the Financial Accounting Standards Board ("FASB") issued ("SFAS") No. 123R (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.

We are assessing the effect on the consolidated financial statements as a result of implementation of these new U.S. standards.

12. Subsequent Events

Subsequent to September 30, 2005, we issued 123,426 common shares for the exercise of broker warrants with gross proceeds of $36,140.

In October 2005, we announced the results of the recently completed feasibility study on the Frea and Huevos Verdes veins at the San José project in Santa Cruz province, southern Argentina. The highlights of the study are detailed in the overview section of Management’s Discussion and Analysis and Plan of Operations.

In November 2005, we were not in compliance with the cash position covenant in our loan with Macquarie. Macquarie is aware of our cash position and we have not been notified of any default.

Item 2. Management's Discussion and Analysis and Plan of Operations

The following discussion should be read in conjunction with Minera Andes' audited consolidated financial statements and notes thereto for the year ended December 31, 2004 and the unaudited consolidated interim financial statements and notes thereto for the period ended September 30, 2005, which have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. These statements along with additional information relating to Minera Andes are available on SEDAR at www.sedar.com. Financial condition and results of operations are not necessarily indicative of what may be expected in future years.

All amounts in this discussion are in US Dollars unless otherwise indicated

Note Regarding Forward-Looking Statements

The information in this report includes "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 ("1934 Act"), and is subject to the safe harbor created by those sections. Factors that could cause results to differ materially from those projected include, but are not limited to, results of current exploration activities, the market price of precious and base metals, the availability of joint venture partners or sources of financing, and other risk factors detailed in our Securities and Exchange Commission filings.

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 OTCBB under the symbol MNEAF.

The principal business of Minera Andes is the exploration and development of mineral properties, located primarily in the Republic of Argentina, consisting of mineral rights and applications for mineral rights, covering approximately 203,562 hectares in three provinces in Argentina. We carry out our 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. Our properties are all early stage exploration properties and no proven or probable reserves have been identified except at one project where reserve definition is underway.

Through our subsidiaries and joint ventures we own a 49% equity interest in MSC, which owns the San José gold/silver property in Southern Argentina, and a 100% interest in over 10 mineral properties in Argentina. San José is currently in advanced exploration and underground development and a production decision is expected in the last quarter 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. The program for 2005 consists of a comprehensive program with a feasibility study that includes underground exploration/development totaling about 3.5 kilometers of workings, environmental studies, metallurgical studies, and construction with over 200 employees on site.

In July 2005, our jointly owned company, Minera Santa Cruz, accepted a letter offer to finance the advancement of the San Jose project. The US$50 million debt facility to be provided by Standard Bank and HVB is subject, among other things, to completion of a bankable feasibility study, bank due diligence, documentation and certain regulatory approvals. It is anticipated that the facility will be available for drawdown in the 1st quarter of 2006. The facility is substantially non-recourse to Minera Andes and Mauricio Hochschild. As part of the overall facility amount, there is a stand-by facility of up to US$5million available for unanticipated cost over-runs prior to completion and commercial production. The commercial terms of the loan are customary for a loan of this nature and include certain fees and expenses with interest rates of Libor + 3.0% pa prior to project completion and LIBOR + 2.75 to 3.0% pa thereafter. Subject to the completion of the definitive agreement for the debt facility, Minera Andes will pay $250,000 in consulting fees for services rendered to obtain the facility.

Subsequent to September 30, 2005, we announced the results of the recently completed feasibility study on the Frea and Huevos Verdes veins at the San José project in Santa Cruz province, southern Argentina. The highlights of the study are as follows:

- Proven and probable mineral reserves: 1,160,859 tonnes (t) with an average grade of 7.7 g/t gold and 406 g/t silver.
- Gold contained: 288,094 ounces proven and probable reserves
- Silver contained: 15,229,380 ounces proven and probable reserves
- Average gold production: 60,633 ounces per year
- Average silver production: 3,119,533 ounces per year
- Average operating cost: $200 per ounce of gold equivalent
- Start up capital costs: $61.2 million
- Construction period: 14 months (already completed are 3.3 km of underground workings, infrastructure and base camp for 330 workers, and start up development of 3 ramps to access the orebodies).

Based on the results of the feasibility study (effective date October 2005), using the key assumptions, project parameters and a long-term gold price of $425 per ounce (oz) and $6.50 per oz for silver, the internal rate of return (IRR) after taxes of the San José project is estimated at 12.5 percent as highlighted in the price sensitivity analysis below. At recent metals prices the IRR is about 26.1 percent. Based on the parameters listed above, the undiscounted Net Present Value (NPV) is $22.0 .

Within our mineral exploration land in Argentina our focus is primarily on gold, silver and copper mineralized targets. In addition, several new exploration properties have been acquired through the filing of mineral applications. These properties reveal numerous similarities to Minera Andes' San José property in northern Santa Cruz province. Two properties, Cerro Mojón and San Agustin, contain several mineralized structures with favorable geologic indicators and silver values up to 10 ounces per ton and were drilled during the 2nd quarter of this year. Other prospects contain structures with sinter-like quartz veining.

Plan of Operations

At quarter end, we had working capital of approximately $1.3 million. MAI will continue to finance its 49% interest of the San José project costs incurred prior to the drawdown of the loan facility. Our 49% portion of these costs, from October 2005 through drawdown, is estimated to be $7.7 million of which $637,000 were paid subsequent to September 30, 2005. Funding requirements for the project may change depending on changes in development costs, production decision dates, and the time needed to acquire required permits.

In addition to planned expenditures on the San José project, we plan to spend $2.6 million on our mineral property and exploration activities and general and administrative expenses through September 30, 2006. We will be conducting work on several properties including an ongoing reconnaissance program designed to make new acquisitions. It is anticipated that exploration on other projects and acquisition of new projects will require additional cash.

Results of Operations

Third quarter 2005 compared with third quarter 2004

We had a net loss of approximately $452,000 for the third quarter of 2005, compared to a net loss of approximately $570,000 for the third quarter of 2004, due to loss on investment and costs associated with our investor relations program.

Nine months ended September 30, 2005 compared with nine months ended September 30, 2004

We had a net loss of approximately $1,588,000 for the nine months ended September 30, 2005, compared to a net loss of $1,368,000 for the comparable period in 2004, due to loss on investment. For the nine months ended September 30, 2005, our 49% portion of San José project costs were $9,080,000 and total mineral property/deferred exploration costs were approximately $1,392,000, compared with approximately $1,922,000 and $1,138,000,respectively, in the same period of 2004. The mineral property/deferred exploration costs are associated with ongoing reconnaissance exploration programs, new property acquisitions, evaluation of existing properties, and exploration at our Los Azules project.

Administrative expenditures for the nine months ended September 30, 2005 included $296,000 in consulting fees. The costs are associated with our investor relations program and stock compensation expense for consultants. Legal, audit and accounting activities were $129,000 for the nine months ended September 30, 2005 compared to $183,000 in the same period last year. Travel for the nine months ended September 30, 2005 was $61,000 compared with $49,000 in the same period in 2004. Foreign exchange loss was $69,000 for the nine months ended September 30, 2005 compared with a gain of $125,000 in the same period in 2004, due 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.

In the nine months ended September 30, 2005, we issued 18,180,450 units through a private placement at a price of Cdn$0.55 per unit for gross proceeds of Cdn$10 million. Under terms of the offering, each unit consists 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 5 years from the closing date. Our agents received a 7% commission and agents’ warrants equal to 7% of the aggregate number of units issued 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 2 years from the date of issue. We used the proceeds from the offering to fund our investment in MSC and for general corporate purposes.

Liquidity and Capital Resources

Due to the nature of the mining industry, 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, there can be no assurance that we will be successful with such financings. See “Plan of Operations”.

At September 30, 2005 we had cash and cash equivalents of approximately $1.4 million compared to approximately $3.4 million at September 30, 2004. Working capital at September 30, 2005 was approximately $1.3 million. Our operating activities used approximately $1,174,000 in the nine months ended September 30, 2005 compared with using approximately $798,000 in the same period last year. Administrative expenditures for the period included approximately $296,000 in consulting fees (a decrease of $136,000 over the same period last year); approximately $61,000 in travel; approximately $233,000 in office overhead and approximately $25,000 in telephone expenditures. These costs are due to our investor relations and public relations program.

Investing activities used approximately $10 million, due to funding our 49% interest in the San Jose project, less property option proceeds received, and expenditures related to mineral properties and deferred exploration in the nine months ended September 30, 2005 compared with approximately $2.7 million used in the same period last year.

Financing activities provided approximately $10.9 million, as a result of a private placement, exercise of warrants and bank loan proceeds received in the nine months ended September 30, 2005 compared with approximately $4.7 million provided in the same period last year. Cash and cash equivalents decreased in the nine months ended September 30, 2005 by approximately $360,000 compared with an increase of approximately $1.2 million in the same period in 2004.

The recoverability of amounts shown as mineral properties and deferred exploration costs is dependent upon the existence of economically recoverable reserves, our ability to obtain necessary financing to complete their development, and future profitable production or disposition thereof. The accompanying consolidated financial statements have been prepared using accounting principles generally accepted in Canada applicable to a going concern. The use of such principles may not be appropriate because, as of September 30, 2005, there was significant doubt that we would be able to continue as a going concern. (See Auditor's Comment in the December 31, 2004 Audit Report and Note 1 in the December 31, 2004 Financial Statements).

For the nine months ended September 30, 2005, we had a loss of $1,588,000 and an accumulated deficit of approximately $20.8 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 sale of equity securities, debt and joint venture arrangements. We expect to use similar financing techniques in the future and are actively pursuing such additional sources of financing.

Although there is no assurance that we will be successful in these actions, we believe we will be able to secure the necessary financing to enable us 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.

Subsequent Events

Subsequent to September 30, 2005, we issued 123,426 common shares for the exercise of broker warrants with gross proceeds of $36,140.

In October 2005, we announced the results of the recently completed feasibility study on the Frea and Huevos Verdes veins at the San José project in Santa Cruz province, southern Argentina. The highlights of the study are detailed in the overview section of Management's Discussion and Analysis and Plan of Operations.

In November 2005, we were not in compliance with the cash position covenant in our loan with Macquarie. Macquarie is aware of our cash position and we have not been notified of any default.

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 of operations relate to mineralization and deferred development costs, valuation of stock-based compensation, and valuation of warrants.

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.

We review the carrying value of our investment in MSC and in other mineral properties on a regular basis. This review includes, but is not limited to, the timing of exploration and/or development work, work programs proposed, the exploration results achieved by Minera Andes and others, sales and/or joint venture value, current market price of minerals, ability to finance ongoing development and, in the case of producing properties, the estimated future operating results and net cash flows. When the carrying value of a property is estimated to exceed its net recoverable amount, provision is made for the decline in value. If a property is abandoned, the property and deferred exploration costs will be written off to operations.

New U.S. Accounting Pronouncements

In March 2005, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations—an interpretation of FASB Statement No. 143." This Interpretation clarifies that the term *conditional asset retirement obligation* as used in FASB Statement No. 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred—generally upon acquisition, construction, or development and (or) through the normal operation of the asset. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. Statement 143 acknowledges that in some cases, sufficient information may not be available to reasonably estimate the fair value of an asset retirement obligation. This Interpretation also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation.

In May 2005, the Financial Accounting Standards Board ("FASB") issued SFAS No. 154, "Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. The statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, this statement requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period rather than being reported in an income statement. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, this statement requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable.

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.

We are assessing the effect on the consolidated financial statements as a result of implementation of these new U.S. standards.

See Note 11 in the Financial Statements.

Item 3. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 ("Exchange Act") Rules 13a-14(c) and 15d-14(c)) under the supervision and with the participation of management, including our President and Chief Financial Officer. Based upon that evaluation, our President and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, but are not limited to, controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There were no significant changes in our internal controls or, to our knowledge, in other factors that could significantly affect our disclosure controls and procedures subsequent to the date we carried out this evaluation.

PART II - OTHER INFORMATION

Item 2. Changes in Securities

During the nine months ended September 30, 2005, we issued 253,500 common shares for the exercise of stock options, 22,500 common shares for the exercise of purchase warrants and 775,249 shares for the exercise of broker warrants with gross proceeds of US$264,891.

On March 22, 2005, we sold 18,180,450 units to accredited investors at a price of Cdn$0.55 per unit for net proceeds of Cdn$9,299,300 (US$7,683,453). 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 5 years from the closing date. The issued securities are 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 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 2 years from the date of issue. A total of 18,180,450 common shares were issued pursuant to the private placement, and 9,090,225 common shares are reserved for issuance on exercise of the warrants and 1,272,632 common shares are reserved for issuance on the exercise of the agent's warrants.

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.

Item 6. Exhibits

Exhibit Number	Identification of Exhibit
31.1	Certification of President (Principal Executive Officer) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MINERA ANDES INC.

Date: November 18, 2005

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

Date: November 18, 2005

By: /s/ William V. Schara
William V. Schara
Chief Financial Officer