

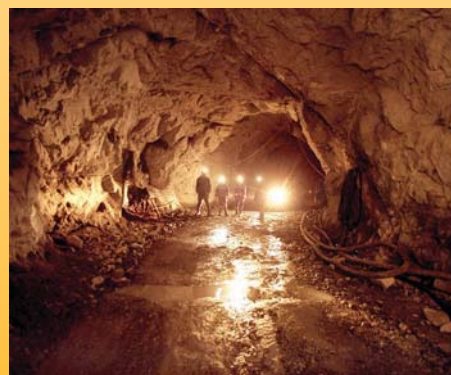
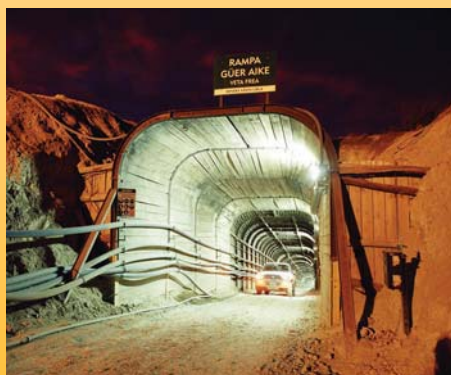
ANNUAL REPORT 2007



CREATING



FUNDAMENTAL VALUE



STRONG FUNDAMENTALS

IN GOLD, SILVER...

PRODUCTION BEGINS

The San José silver/gold mine, built upon a discovery made by Minera Andes, begins production on schedule at the end of June 2007. Minera Andes receives 49 percent of the value from this relatively high-grade mine. Annual unhedged production, based on 750 tons-per-day (tpd), is estimated at 64,000 ounces of gold and 3.9 million ounces of silver based on a November 2007 NI-43-101 technical report. The processing plant, which is still in the commissioning phase, is expected to reach full capacity in first half of 2008.

PRODUCTION ACCELERATES

Following commissioning, San José moves closer to planned output in the fourth quarter of 2007 with silver/gold output increasing substantially to 776,000 ounces of silver and 11,660 ounces of gold. About 90 percent of the mine's concentrate and doré production was in inventory at the end of 2007, with sales contracts in place for 2008.

PRODUCTION INCREASE PLANNED

Even as San José is ramped-up to its original, beginning production of 750 tpd, work is underway to double production by late 2008. The goal: to annually produce 128,000 ounces of gold and about 7.8 million ounces of silver from production at 1,500 tpd. Mine production would continue to be unhedged, and 49 percent of the increased production value would accrue to Minera Andes. In addition to the work necessary to reach 1,500 tpd, about 8,000 meters of surface and underground drilling are planned for 2008 to test known geologic targets.

100 PERCENT INCREASE IN ORE RESERVES

An aggressive exploration drilling program, primarily in the immediate mine area, begins to pay off late in 2007 with a doubling of San José's silver/gold ore reserves. Proven and probable reserves rise to 602,000 ounces of gold and 33 million ounces of silver, or 64 million silver-equivalent ounces. The new reserves from the Kospi and Frea veins increase mine life from 5.3 years to over nine years.

NEW ORE RESERVE POTENTIAL

Two relatively new discoveries at San José, the Odin and Ayelin veins, suggest good potential to further increase the mine's reserve/resource

base. Drilling defined 2.8 kilometers of length along the open-ended veins and extended the known mineralization some 1,000 meters, or more than 64 percent in length compared to the 2005 discovery drilling. Drilling success in 2007 and 2008 offer further proof of the growing mineral potential at San José. Of the more than 40 kilometers of veins currently known to exist, fewer than six kilometers have been explored.

... AND COPPER

LOS AZULES WORK ENCOURAGING

An economic scoping study underway, is based on work carried out over three field seasons. This program has intersected relatively high-grade copper, with some mineralized zones revealing a thickness equivalent to 50 to 70-story buildings. Los Azules, a Minera Andes' discovery, is a copper porphyry system. The scope and size potential of the project increased dramatically in 2006, when Minera Andes' drilling discovered a near surface, high-grade area of copper mineralization. Hole AZ-06-19 encountered 221 meters of mineralization averaging 1.62 percent copper that was 200 meters from hole AZ-06-20 containing 173 meters of 1.00 percent copper. Drilling in several holes ended in copper mineralization, including two holes that bottomed in high-grade copper over 1 percent.

BUSINESS AGREEMENT ADVANCES

Minera Andes signs a definitive option agreement in November of 2007, with Xstrata Copper, a commodity business unit of Xstrata plc, for Los Azules in which Minera Andes has the right to earn a 100 percent ownership in the property (each company owns half of Los Azules) upon the completion of certain business considerations that include the preparation of a scoping study. If the study meets its corporate expectations, Xstrata has the right to "back-in" to a 51 percent ownership of the combined Los Azules property, provided specified payments are made to Minera Andes and a bankable feasibility study is delivered.

DRILLING IN THE 2007-08 FIELD SEASON

At Los Azules a planned 2007-2008 exploration program of drilling has been completed. Results indicate that Los Azules hosts a high-grade, near surface deposit, and that the discovery's core is still open at depth. When completed, the 2007-08 program is expected to define an inferred resource and provide detailed engineering and technical data as defined by Canadian reporting requirements.

FIRST PAYOFF AT LOS AZULES IN 2008

The first core hole drilled intersects 113 meters of 1.04 percent copper within a larger zone of 200.8 meters of 0.89 percent copper. A total of 5,438.34 meters was drilled at Los Azules in 15 vertical core holes during the 2007-2008 field season. These holes constitute the 5,000 meter Stage I of the exploration program. Four of the 15 holes did not reach target depth due to difficult drilling conditions. Assay results are pending for six of these holes. The best intercept to date is from hole AZ-08-33 which encountered 132 meters of 1.11 % copper within a larger zone of 250 meters of 0.92 % copper. Assays from these holes and other exploration suggest that Los Azules' high-grade mineralization may be larger than previously thought.



LETTER TO SHAREHOLDERS

To Our Shareholders:

It is my pleasure to report to you for 2007 that Minera Andes has reached a key goal: income generation from silver and gold production at its co-owned San José mine in southern Argentina. This high-grade (approximately one-half ounce of gold equivalent per ton of ore), low-cost mine has been developed from an exploration discovery made by Minera Andes' skilled geologists.

FUNDAMENTAL STRENGTH: STRONG CASH FLOW FROM PRODUCTION

Minera Andes' operating fundamentals strengthened in 2007, and are set to become stronger in 2008. Although the Company will continue to stress exploration as its area of special expertise, the importance of our attractive production fundamentals should clearly illustrate the addition of asset value to Minera Andes in 2008. For example, a further increase in proven and probable ore reserves is likely in 2008, based on drilling in the immediate mine area in 2007. This follows a 100 percent ore reserve increase in 2007, and the consequent increase in San José's mine life from 5.2 years to over nine years. Put another way, San José has grown from 14.4 million silver equivalent ounces in 2002, to 64 million equivalent ounces at the end of 2007. Highly prospective targets remain to be evaluated at San José, and only 15 percent of a 40-kilometer vein system has been drill-tested. Discovery results at the 99,000-acre San José joint venture area continue to suggest a region with mining district potential and a very exciting future.

In addition, the mine's gold and silver output, which is unhedged in the marketplace, is scheduled to approximately double by the end of 2008 and lead to increased cash flow. Based on an increase from 750 tons of production per day (tpd) to 1,500 tons of production per day, San José is being prepared by our operating partner, Hochschild Mining plc, to annually produce 128,000 ounces of gold and 7.8 million ounces of silver. Of this, the value of 49 percent will accrue to Minera Andes. Current production at 750 tpd is 64,000 oz. per year gold, and 3.9 million oz. per year silver.

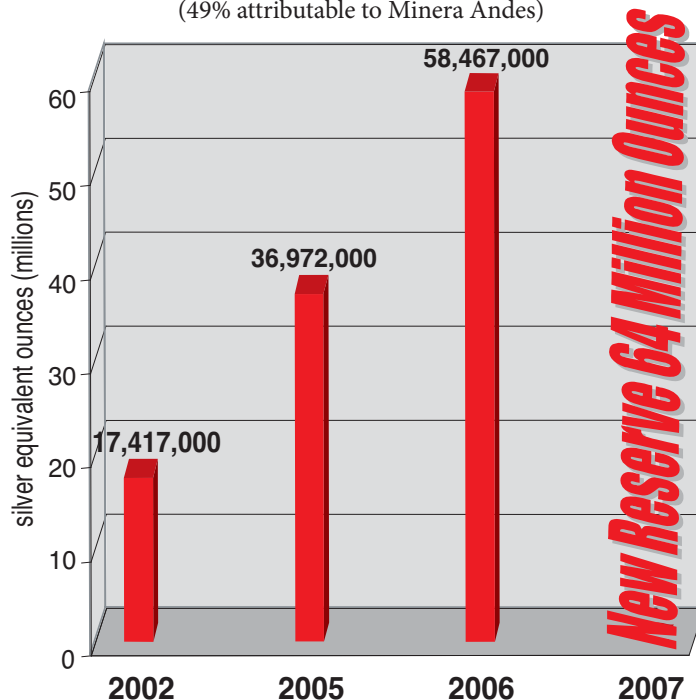
FUNDAMENTAL STRENGTH: EXPERTISE IN EXPLORATION

As a mineral exploration company, Minera Andes will continue to emphasize its strengths in exploration. Since 2004, Minera Andes' geologists have made new discoveries in copper each year at our Los Azules copper discovery in west central Argentina. For the past seven years we have been associated with new annual discoveries of gold and silver mineralization at San Jose.

Over the past few field seasons the drilling at Los Azules has discovered new high-grade copper mineralization as we gain an under-

ADDING ASSET VALUE: SAN JOSÉ'S STEADY GROWTH

(49% attributable to Minera Andes)



standing of this exciting project. Los Azules is evolving as a sizeable porphyry copper target, with a high-grade near-surface copper discovery at its core that is still open at depth. Our success in copper discovery at Los Azules has continued in the 2007-08 field season as we carried out a first-stage 15-hole, 5,400-meter drilling program. This program suggests among other things that Los Azules and a known high-grade zone may be larger than originally suspected.

Last year I promised that Minera Andes would continue along the road of production and growth. That's precisely what we have done, and with positive results. Our plans for 2008 include an increase in silver/gold production and an increase in silver/gold reserves at the San Jose mine. This summer we will also obtain the first resource calculation for Los Azules, a sizeable copper discovery that represents diversification and new asset value for Minera Andes. These plans are coming to fruition at a time when markets for metals have been strengthening. We at Minera Andes look forward to an exciting future.

Sincerely,

Allen V. Ambrose, President
May 23, 2008



THE EXPLORATION PERSPECTIVE

To Our Shareholders:

In 2007 Argentina continued to see a high level of exploration activity due to continued strong metal prices. Minera Andes contributed to this activity by maintaining an aggressive exploration program consistent with the company's primary goal of advancing its discovery at the San José mine with partner, Hochschild Mining plc, a Peruvian mining conglomerate listed on the London Stock Exchange.

Full production at the San José mine began in 2007. The San José project is an outgrowth of grassroots discoveries made by Minera Andes' geologists. Our exploration program is designed to make new discoveries to emulate our success at San José.

In the past year we mounted one of the largest exploration programs in Argentina to advance the Los Azules copper project

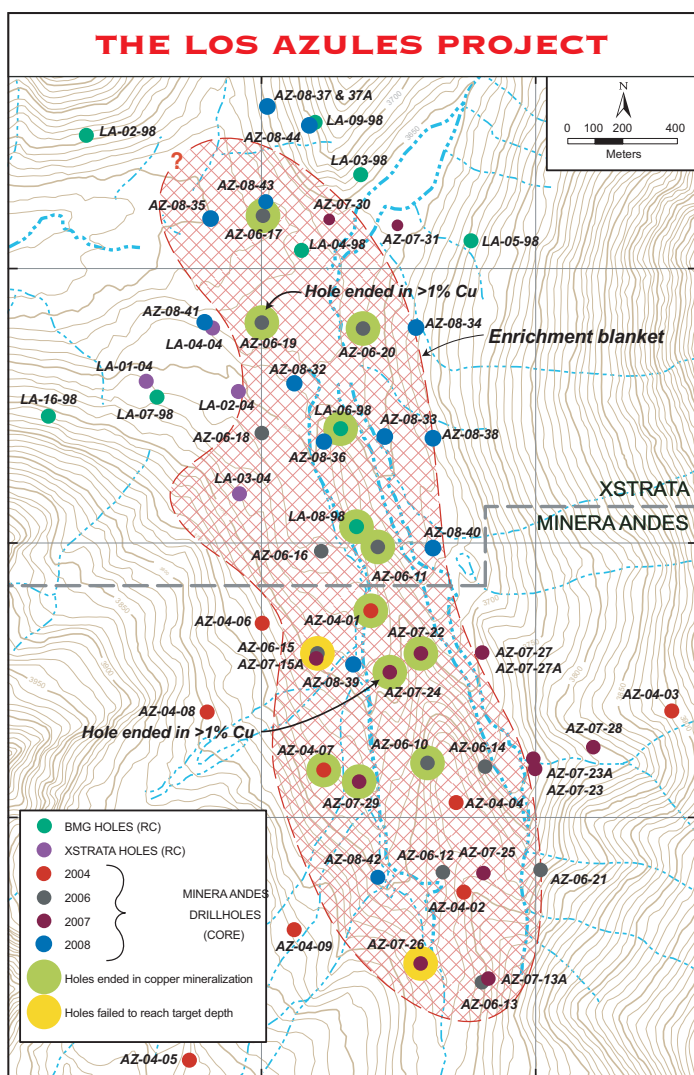
where our work continues to outline a significant area of porphyry copper mineralization. This work represents a third season of drilling by Minera Andes at Los Azules. In 2007 we signed a definitive agreement with Xstrata Copper plc regarding the Los Azules project.

Exploration will continue on our portfolio of gold-silver targets in southern Argentina. We plan exploration here ranging from early-stage reconnaissance exploration to drilling programs. With our strong land position, our exceptional geologic database and our experienced exploration team we expect to continue to make significant grassroots discoveries.

I look forward to continued exploration success in 2008.

Sincerely,

Brian Gavin, Vice President, Exploration
May 23, 2008



HOW WE WORK:

As a successful exploration company deriving income from its own silver/gold discovery in Argentina, Minera Andes manages its business plan in a systematic, methodical manner. The Company's management emphasizes its strengths in gold, silver and copper exploration and discovery. It follows this work by teaming with a proven partner in mine construction and operation, and moving to production-based profit-sharing. The San José silver/gold mine, which entered production in 2007, is an example of the successful completion of Minera Andes' business plan. Success at San José sets the stage for adding more asset value in gold and silver, while ongoing drilling at the Los Azules copper discovery represents diversification and further creation of asset value. Through its 100-percent owned and operated exploration, or as a partner, Minera Andes made new discoveries in gold, silver and copper in 2007. Proven and probable reserves at San José increased by 100 percent in 2007 (Minera Andes owns 49 percent of San José). Drilling in 2008 holds potential for further mine growth. The Los Azules copper discovery, for which Minera Andes has a potential partner, continues to evolve into a sizeable target.

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

FORM 40-F

(Check one)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

Commission file number 000-22731

MINERA ANDES INC.

(Exact name of Registrant as specified in its charter)

Alberta, Canada
(Jurisdiction of incorporation or
organization)

1040
(Primary Standard Industrial Classification
Code Number (if applicable))

Not applicable
(I.R.S. Employer Identification Number (if
applicable))

**111 E. Magnesium Road, Suite A, Spokane, Washington 99208
(509) 921-7322**

(Address and telephone number of Registrant's principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class
None

Name of each exchange on which registered:
N/A

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Common shares without par value

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Common shares without par value

For annual reports, indicate by check mark the information filed with this Form:

☒ **Annual Information Form**

☒ **Audited Annual Financial Statements**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period by the annual report:

180,974,912 Common Shares

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule.

Yes ☐ **No** ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 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** ☐

PRELIMINARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information presented or incorporated by reference in this Annual Report on Form 40-F 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 Annual 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. Significant financial, operational, governmental and regulation, and market risks are described in the Management’s Discussion and Analysis.

NOTE TO UNITED STATES READERS- DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES

The Company is permitted, under a multi-jurisdictional disclosure system, adopted by the United States Securities Exchange Commission (“the SEC”), to prepare this Annual Report on Form 40-F in accordance with Canadian disclosure requirements, which are different from those of the United States. The Company prepares its consolidated financial statements, which are filed with this report on Form 40-F in accordance with Canadian generally accepted accounting practices (“GAAP”), and they may be subject to Canadian auditing and auditor independence standards. They may not be comparable to consolidated financial statements of the United States companies. Significant differences between Canadian GAAP and United States GAAP are described in Note 13 of the comparative audited consolidated financial statements of the Company.

RESOURCE AND RESERVE ESTIMATES

The terms “Mineral Reserve,” “Proven Mineral Reserve” and “Probable Mineral Reserve” are Canadian mining terms as defined in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum’ (the “CIM”) - *CIM Definition Standards on Mineral Resources and Mineral Reserves*, adopted by the CIM Council, as may be amended from time to time by the CIM. These definitions differ from the definitions in the United States Securities & Exchange Commission (“SEC”) Industry Guide 7 under the *Securities Act* of 1933. Under SEC Guide 7 standards, a “Final” or “Bankable” feasibility study is required to report reserves, the three year history average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and normally are not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases.

Accordingly, information contained in this report and the documents incorporated by reference herein containing descriptions of our mineral deposits may not be comparable to similar information made public by

U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

CURRENCY DISCLOSURE

All currency amounts in this Annual Report are stated in U.S. dollars unless otherwise indicated. On March 26, 2008, the Bank of Canada noon rate of exchange for conversion of United States dollars into Canadian dollars was U.S. \$1.00 = Cdn\$1.02 or Cdn\$1.00 = U.S. \$0.98.

ANNUAL INFORMATION FORM

For our annual information form, see Exhibit 99.1

AUDITED ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Audited Annual Financial Statements

For our audited consolidated financial statements, including the report of the auditors with respect thereto, see Exhibit 99.2.

Management's Discussion and Analysis

For our management's discussion and analysis, see Exhibit 99.3.

EVALUATION OF CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes 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 is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this Annual Report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's internal control over financial reporting were not effective as of December 31, 2007, at the reasonable assurance level, because of the material weaknesses described in *Management's Report on Internal Control over Financial Reporting*.

Notwithstanding the existence of the material weaknesses described below, management has concluded that the consolidated financial statements in this Form 40-F fairly present, in all material respects, the Company's financial position, results of operations and cash flows for the periods presented.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(d), and 15d-15(f) under the Exchange Act. The Company's management has employed a framework consistent with the Exchange Act Rule 13a-15(c) to evaluate the Company's internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the preparation and fair presentation of published consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP), including a reconciliation of net loss to US Generally Accepted Accounting Principles (US GAAP).

The Company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Internal controls over financial reporting, no matter how well designed, have inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2007, based on the criteria set forth in the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The objective of this assessment was to determine whether the Company's internal control over financial reporting was effective as of December 31, 2007.

A material weakness, as defined by Securities Exchange Commission rules, is a significant deficiency, or combination of significant deficiencies, such that there is a reasonable possibility that material misstatement of the annual or interim consolidated financial statements will not be prevented or detected. In its assessment of the effectiveness of internal control over financial reporting as of December 31, 2007, management determined that there were control deficiencies that constituted material weaknesses, as described below.

The Company does not have sufficient personnel with the skills and experience in the application of US GAAP. This control weakness results in a reasonable possibility that a material misstatement in the notes of the consolidated financial statements on the differences between Canadian and United States generally accepted accounting principles will not be prevented or detected on a timely basis. Specifically, the Company's disclosure controls initially failed to identify the impact of new accounting pronouncements in the Company and other amendments to related note disclosures. These errors were corrected by management prior to the issuance of the Company's December 31, 2007 consolidated financial statements.

The Company does not have sufficient personnel with the necessary knowledge, experience and training in the application of income tax commensurate with the Company's financial reporting requirements. This control weakness results in a reasonable possibility that a material misstatement in the notes of the consolidated financial statements on income taxes will not be prevented or detected on a timely basis. These errors were corrected by management prior to the issuance of the Company's 2007 consolidated financial statements.

Based on our assessment and because of the material weaknesses described above, management has concluded

that our internal control over financial reporting was not effective as of December 31, 2007.

The effectiveness of the registrant's internal control over financial reporting as at December 31, 2007 has been audited by BDO Dunwoody LLP as stated in their Auditor's Report that accompanies the registrant's consolidated financial statements for the fiscal year ended December 31, 2007 files as Exhibit 99.2 to this Annual Report on Form 40-F.

Remediation of Control Weakness

The Company will enhance its US GAAP accounting and tax staff training and development. Additionally, the Company will increase the use of services of outside consultants who have expertise in complex US GAAP accounting and tax matters to assist in identifying and resolving complex issues.

Changes in Internal Control over Financial Reporting

During the fiscal year ended December 31, 2007, there were changes in the registrant's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting, as follows:

The registrant has enhanced controls surrounding interim end and year end reporting. One of the major enhancements is improved documentation over the financial statement preparation.

AUDIT COMMITTEE

The Board of Directors has a separately-designated standing Audit Committee for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the Company's annual financial statements. As at the date of this Annual Report, the Audit Committee was comprised of Allan Marter, Jack Crabb and Gary Craig.

Audit Committee Financial Expert

Allan Marter serves as a member of the audit committee of the Company's Board of Directors. The Board of Directors has reviewed the definition of "audit committee financial expert" under item 8(a) of General Instruction B to Form 40-F and determined that Allan Marter satisfies the criteria for an audit committee financial expert under the Exchange Act. The SEC has indicated that the designation of Allan Marter as an audit committee financial expert does not make Allan Marter an "expert" for any purpose, impose any duties, obligations or liability on Allan Marter that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation or affect the duties, obligations or liability of any other member of the audit committee. Mr. Marter is "independent" as defined in Section 803 of the listing standards of the American Stock Exchange.

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.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

a. Audit Fees

The fees billed for each of the fiscal years ended December 31, 2007 and December 31, 2006 for professional services rendered by BDO Dunwoody LLP for the audit of our annual consolidated financial statements and services that are normally provided by BDO Dunwoody in connection with statutory and regulatory filings or engagements for each of those fiscal years were \$167,604 and \$153,810, respectively.

b. Audit Related Fees

Fees billed by BDO Dunwoody for audit related services not included in item (a) were \$4,156 for the fiscal year ended December 31, 2007 and \$26,810 for the fiscal year ended December 31, 2006. .

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, 2007 and December 31, 2006 were \$8,237 and \$4,684, 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 for products or services, other than those services covered in items (a) and (b) were \$10,549 and \$5,741 for the fiscal years ended December 31, 2007 and December 31, 2006, respectively. These fees relate to various corporate matters, including fees billed by BDO Dunwoody in connection with the review of our Management Information Circular and material for a special shareholder meeting.

e. Audit Committee Approval of Audit and Non-Audit Services

Our Audit Committee is responsible for the oversight of our independent auditor's work and pre-approves all services provided by BDO Dunwoody. The Audit Committee sets forth its pre-approval in the minutes of its meetings. Audit Related and Tax Fees provided by BDO Dunwoody are typically approved individually during the Committee's periodic meetings or, on an as-needed basis, the Audit Committee's Chair is authorized to approve such services in advance on behalf of the Committee with such approval reported to the full Audit Committee at its next meeting.

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.

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.

Our lease and loan obligations as of December 31, 2007 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-Project Loan (1)	\$ 31,850,000	\$6,860,000	\$24,990,000	\$ --	\$ --
Long Term Debt-Bank Loan(2)	14,591,830	--	14,591,830	--	--
Operating Lease Obligations (3)	82,512	41,112	41,400	--	--
Purchase Obligations	--	--	--	--	--
Capital Lease Obligations	--	--	--	--	--
Other Long-Term liabilities – Asset Retirement Obligation	90,000	--	--	--	90,000
Total	\$ 46,614,342	\$6,901,112	\$39,623,230	\$ --	\$ 90,000

- (1) Under terms of the project financing facility for the San José mine, a subsidiary of Hochschild will lend 51% of a bridge loan and permanent financing directly to MSC and 49% of the loan will be lent to Minera Andes which in turn will lend the funds to MSC. The amount shown above is the loan that Minera Andes owes Hochschild and is mirrored by a loan in equal amount that MSC owes Minera Andes. The loan will be paid out of cash flow from the mine. See Note 4b in the December 31, 2007 consolidated financial statements for additional details.
- (2) Macquarie Bank Limited. See Note 6 in the December 31, 2007 consolidated financial statements for additional details.
- (3) Contingency consists of various lease agreements for office and storage space in Spokane, United States, Vancouver, Canada and Mendoza, Argentina.

The table of contingencies above does not include the following:

On December 2, 2003, we signed an agreement that obligated us to pay N.A. Degerstrom, Inc. a royalty of \$250,000 if any of the current properties, other than the properties comprising the San José project, meet certain conditions such as bankable feasibility or commercial production. Our obligation expires December 31, 2013. As of December 31, 2007 no payments are required under this agreement.

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 Neuquén have waived their right to a royalty. The provinces of Río Negro, San Juan, Santa Cruz and Chubut have not yet established a policy regarding the royalty.

We are obligated to fund our 49% of costs at San José that are not funded by project financing as well as 49% of capital contributions or our ownership will be diluted. In December 2007, the shareholders of MSC agreed to increase the share capital of MSC by \$34,500,000, of which \$16,905,000 represented Minera Andes’ portion, which was accrued as a liability at December 31, 2007. The Company paid this amount in January 2008. As of December 31, 2007, we do not expect to have further cash calls as the Company is now operating and plant expansion costs are to be paid from cash flow of the operation.

MSC has signed agreements with third party providers relating to the development of the San José/Huevos Verdes project. Our 49% portion of these commitments is approximately \$16 million.

On November 8, 2007, we entered into an agreement with a consultant that requires the payment of \$30,000 per month for the term of the agreement. The term is unspecified and can be cancelled at any time after February 2008.

In March 2007, we received a two-year loan from Macquarie Bank Limited for \$7.5 million of which \$5.88 million was for the development of the San José project and \$1.62 million was for general purposes. The main purpose of the loan was to provide additional funding to Minera Andes for its 49% portion of the costs of the exploration, sustaining capital, cost overruns and expansion related costs of the MSC project that entered its production commissioning phase in the third quarter of 2007.

In October 2007, Minera Andes received another tranche of \$10 million on the existing loan facility from Macquarie. The total loan facility to them is \$17.5 million. The main purpose for the October 2007 loan was primarily for Minera Andes' 49% share of the October cash call from MSC of \$17.4 million for costs of mine construction, expansion of the exploration program which includes drilling new targets, expanding the reserves and resources, and for general working capital. In October 2007, Minera Andes sent funds of \$8.53 million to MSC to fund its 49% portion of the cash call. See Note 6 in the December 31, 2007 consolidated financial statements for additional details.

UNDERTAKINGS

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the SEC staff, and to furnish promptly, when requested to do so by the SEC staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

MINERA ANDES INC.

Registrant

By: /s/ Allen V. Ambrose

Allen V. Ambrose, President and
Chief Executive Officer

By: /s/ Henry A. John

Henry A. John, Principal
Accounting and Financial Officer

Date: March 26, 2008

Date: March 26, 2008

EXHIBIT INDEX

The following documents are being filed with the SEC as exhibits to this annual report on Form 40-F.

Exhibit	Description
99.1	Annual Information Form
99.2	Audited Annual Financial Statements
99.3	Management's Discussion and Analysis
99.4	Consent of BDO Dunwoody LLP
99.5	Chief Executive Officer's Section 302 Certification
99.6	Chief Financial Officer's Section 302 Certification
99.7	Chief Executive Officer's Section 906 Certification
99.8	Chief Financial Officer's Section 906 Certification
99.9	NI 43-101 Technical Report - San Jose Property, Santa Cruz Province, Argentina
99.10	NI 43-101 Technical Report - Los Azules Copper Project, San Juan Province, Argentina
99.11	Certificate of Author for Donald B. Tschabrun MAusIMM
99.12	Consent of Author for Donald B. Tschabrun MAusIMM

Note: All of the Exhibits listed above were filed with the original Form 40-F and are available on the SEC's EDGAR system at www.sec.gov. Copies of Management's Discussion and Analysis of Financial Condition and Plan of Operations and the Audited Financial Statements are also included in our annual report to shareholders.

Note: All of the Exhibits listed above were filed with the original Form 40-F and are available on the SEC's EDGAR system at www.sec.gov.

MINERA ANDES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND PLAN OF OPERATIONS

This discussion and analysis of financial condition and plan of operations is prepared as at March 26, 2008 and should be read in conjunction with our audited consolidated financial statements and notes thereto for the years ended December 31, 2007 and 2006 which have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. Differences from U.S. GAAP are described in Note 13 to the audited consolidated financial statements. These statements along with additional information relating to Minera Andes, including our Annual Information Form for the year ended December 31, 2007, are available on SEDAR at www.sedar.com and on the SEC's EDGAR system at www.sec.gov. Financial condition and results of operations are not necessarily indicative of what may be expected in future periods.

All amounts in this discussion are in U.S. Dollars unless otherwise indicated.

Cautionary 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 applicable Canadian Securities legislation, 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 Annual Information Form "Risk Factors."

Overview and Company History

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, Saskatchewan, Ontario and Nova Scotia and trade our common shares on the Toronto Stock Exchange ("TSX") under the symbol MAI (prior to February 7, 2007 we traded on the TSX Venture Exchange). We are also a Form 40-F filer in the U.S. and trade on the NASD OTC Bulletin Board under the symbol MNEAF.

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 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.

In July 2003, we announced that Hochschild Mining plc ("Hochschild") (formerly Mauricio Hochschild & Cia. Ltda. S.A.) had acquired 51% of the shares of the project company, Minera Santa Cruz S.A. ("MSC"), upon satisfaction of the vesting requirements of the Option and Joint Venture Agreement for the development of the San José gold/silver project in southern Argentina. The agreement required Hochschild to expend \$3 million on the further exploration and development of the San José project, owned by MSC, in order to vest. Minera Andes holds a 49% interest in MSC through our subsidiary, Minera Andes S.A. ("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. On December 2, 2003, we cancelled our Operating Agreement with Degerstrom, effective December 31, 2003.

Our current properties and projects consist of mineral rights and applications for mineral rights covering

approximately 304,221 acres (123,133 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. At December 31, 2007, we were in the exploration stage, and had interests in properties in three provinces in the Republic of Argentina. We had the opening ceremony for our San José mine on June 26th, 2007 where production commenced in the third quarter of 2007. The San José project is located in the Santa Cruz province of southern Argentina.

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 7415B 35th Ave. N.W., Calgary, Alberta, T3B 1T4 Canada.

Highlights for 2007

Significant achievements during the year include:

- The San José mine commenced production during the third quarter of 2007 and approached full production by year-end. The processing plant, which is still in the commissioning phase, is expected to reach full capacity in first half of 2008. The mine is currently staffed with approximately 436 employees and 148 contractors. Based on a NI43-101 technical report filed in November of 2007 at a full production rate of 750 tonnes per day, the mine is forecasted to produce approximately 64 thousand ounces of gold and 3.9 million ounces of silver on an average annual basis for the life of the mine.
- A total of 958,000 ounces of silver and 14,950 ounces of gold were produced at San José in 2007. Minera Andes owns 49% of the mine through its joint venture with the project operator, Hochschild. The first sales of metals from inventory at the San José mine occurred in December 2007 and included 92,000 ounces of silver and 1,490 ounces of gold. At year-end the mine had about 90% of its metal in inventory in the form of concentrates and doré,
- In August 2007, the board of MSC approved a budget of \$102.9 million for construction completion of the 750 tonnes per day operation, pre-production mine expansion costs, and costs related to the change in scope to the original mine plan incurred to date. In November 2007, the board of MSC approved project capital increases of \$42.5 million. These capital increases are related to incremental costs associated with the processing facility at San José taking longer than anticipated to reach full capacity which required \$34.1 million. At the end of 2007 Minera Andes investment in MSC totaled approximately \$65 million.
- Reserves at the San José mine increased by 100 percent primarily derived from drilling from 2006 thru June 30th, 2007. Proven and Probable Mineral Reserves: at June 30, 2007 were: 2.4 million tonnes grading 6.79 g/t gold and 430 g/t silver. The economic cutoff used to calculate the reserves is \$94 per tonne (using a price of \$500 per ounce for gold and \$9.00 per ounce for silver).
- Mineral potential at San Jose based on 2005-2006 drilling outside the existing mineral reserves/resources was estimated for three targets (Odin, Ayelén, and Frea extension) to total: 1.6-3.4 million tonnes, with 6-10 g/t gold and 200-600 g/t silver.
- During 2007, approximately 28,585 meters of core drilling totaling 112 drill holes was conducted on several targets identified at San José. Drilling in the second half of 2007 has defined 2.8 km of strike length along the Odin and Ayelén veins that have significant potential to further increase the current reserves/resources at San José.
- The board of our joint venture company made the formal decision to double production capacity from 750 tonnes per day to 1,500 tpd at the San José mine. Minera Andes estimates this will occur by 2008 year end.

- Our cash position improved during 2007 through the raising of funds through equity financing, expansion of an existing credit facility, and through an early warrant exercise program. Equity offerings and warrant and option exercises provided a net of \$28.4 million during the year and \$17.5 million was drawn on the credit facility.
- During November 2007, a definitive Option Agreement was executed by Minera Andes and Xstrata Copper on the Los Azules project. The Option Agreement consolidates into one package adjoining properties that straddle a large copper porphyry system. Our previous drilling reported the discovery of significant high-grade copper at the Los Azules property in Argentina. Drilling has returned intervals up to 1.62% copper over 221 meters and 1.00% copper over 173 meters in separate holes on the property.
- At Los Azules a planned 2007-2008 exploration program of 24 holes totaling 10,000 meters, in two stages of 5,000 meters is currently underway. The exploration program at Los Azules is designed to define an inferred resource estimate and provide sufficiently detailed information to allow the completion of a Preliminary Assessment (as defined by NI 43-101) of the property by Q4 2008.
- MSC arranged an in-house financing facility for up to \$65 million from a Hochschild subsidiary to complete construction of the San José mine. The loan will be repaid only from MSC cash flow eliminating the need for typical bank required hedging of the gold and silver production. Also the loan is unsecured except for a security interest over Minera Andes' right to payments from MSC and a charge over MSC's accounts and money deposited therein.
- An early warrant exercise program received gross proceeds of Cdn\$3.9 million through the early exercise of 6,006,758 warrants on March 19, 2007. The incentive program was for the early exercise of three series of common share purchase warrants of the Company announced December 27, 2006. Under the incentive program, a total of 600,673 New Warrants were issued to those warrant holders taking part in the early exercise incentive. Each New Warrant entitles the holder to acquire a common share of the Company at the price of Cdn\$1.75 per share until September 19, 2008.
- Mr. Robert McEwen, founder and past Chairman of Goldcorp Inc. continues to hold approximately 24% of the issued and outstanding common shares of Minera Andes and is the largest shareholder of the company.
- In December 2006, we received conditional listing approval to list our common shares on the TSX and we began trading on the TSX in February 2007. Trading on a senior exchange allows more investors to participate in our shares and is expected to benefit all shareholders.
- We acquired several new exploration land packages in Argentina, and continued to pursue new growth opportunities.

Trends Affecting our Operations During 2007

Precious metals prices have now trended generally upward for nearly seven years. Silver prices have increased from a low of \$4.30 in early April 2001 to \$14.76 per ounce in December 2007, an average annual increase of 20%. Gold prices have increased from a low of \$256 in early April 2001 to \$838 per ounce in December 2007, an average annual increase of 19%. The higher precious metals prices increased our ability to equity finance during 2006 and 2007 as well as obtain other forms of financing.

The market for precious metal company equities generally strengthened during 2006 and 2007. Our common share price began the year at Cdn\$1.48 and ended the year at Cdn\$1.57. The increased interest in investing in gold and gold mining companies during the past four years has made exploration and development capital more readily available. As a result, we successfully raised \$21.7 million of new equity funds during 2006 and \$28.4 million in 2007, including option and warrant exercises, less issue costs. 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 José project and other projects in our property portfolio. In 2008 we anticipate using our cash to maintain our interest in the San José project, to fund other exploration activities, and for other general corporate purposes.

Outlook and Strategy

Our principal business and development strategy is locating, acquiring, exploring, and, if warranted, developing mineral properties located in the Republic of Argentina. 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.

Major goals and focus for 2008 and 2009 include the following:

- Achieve expected recovery rates at the San José plant by mid-2008. Forecast production is 64,000 ounces of gold and 3,900,000 ounces of silver per year based on November technical report. Minera Andes' attributable share of this is 49%.
- Double capacity at the San José mine by the end of 2008. Initial capacity is 750 tonnes per day and the plant and infrastructure are currently being upgraded to 1,500 tonnes per day.
- Increase reserves and resources at the San José project. MSC plans to conduct a program consisting of approximately 4,000 meters of surface drilling and 3,800 meters of underground drilling on several targets during 2008.
- Complete the preliminary economic assessment on the Los Azules project by approximately Q4-2008. We continued drilling on the project during the fourth quarter of 2007 and expect to complete the drilling during this seasons drill program (approximately mid-December 2007 through early-April 2008). After the drilling is completed, three to four months time will be needed to assess the data.
- Develop our other 100%-owned properties that have characteristics similar to the San José project. We plan to spend a minimum of \$500,000 during 2008, subject to available finances, on other gold/silver properties in the Santa Cruz province in Argentina.

As more fully disclosed our Annual Information Form in "Risk Factors", 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.

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 the government 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 end of December 2005, the Peso stood at Peso\$3.03 to \$1.00; at the end of December 2006, the peso stood at Peso\$3.06 to \$1.00; and at

the end of December 2007, the peso stood at Peso\$3.15 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 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.

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. We initiated gold exploration in Argentina in 1991, in conjunction with Degerstrom. 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:
 - 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.

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 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. 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.

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.

Mineral Properties and Exploration

Los Azules Project

The Los Azules project was discovered by Minera Andes' geologists in the 1990's through regional exploration near the Argentina/Chile border in San Juan province, Argentina. On November 2nd, 2007 Minera Andes and its subsidiary company Minera Andes S.A. ("MASA") and Xstrata Copper contributed their respective properties into an Option Agreement replacing the November 2005 non-binding letter of intent regarding the Los Azules porphyry copper project. Xstrata Copper and Minera Andes had been working on separate, adjoining properties that straddle a large copper porphyry system now consolidated into one package under the Option Agreement. Xstrata Copper is one of the commodity business units within Xstrata plc.

Under the Option Agreement, MASA has the right to earn a 100% interest in Xstrata Copper's property by spending at least US\$1.0 million on the property by November 2010, making payments to keep the property in good standing and producing a preliminary economic assessment (to NI 43-101 standards). If in the opinion of Xstrata Copper, the preliminary assessment shows the potential to economically produce 100,000 tonnes (200 million pounds) of contained copper per year for 10 years or more then Xstrata Copper will have a right to earn a 51% interest in the combined properties ("the Back-in Right"). To satisfy the conditions of the Back-in Right, Xstrata Copper must assume control and responsibility for the combined properties, make a cash payment to Minera Andes of three times MASA's expenditures incurred on the combined properties after the 25th of November 2005 and complete a bankable feasibility study within five years of its election to exercise the Back-in Right. In the event that the preliminary assessment does not, in Xstrata Copper's opinion, meet the criterion contemplated above, Xstrata Copper's interest would be limited to a right of first refusal on a sale of the combined properties, or any part thereof. All lands that make up the combined properties' mineral applications are subject to a provincial mouth of mine royalty of between zero and 3%. This royalty will be negotiated with the province of San Juan as the project advances.

If Xstrata Copper advises MASA of its intention to exercise Xstrata Copper's Back-in Right for a 51% interest, Minera Andes will be required to form a new Argentinean operating company and transfer the combined properties to the operating company. Following the completion of its Back-in Right, Xstrata Copper will also be required to use commercially reasonable efforts to obtain project financing for the development of a mine as contemplated by the bankable feasibility study. If the project financing arrangements are accepted by MASA and such financing completes, Xstrata Copper will earn an additional 4% interest in the project, thereby reducing MASA's interest from 49% to 45%. If project financing is not available or not accepted by MASA, the project may proceed without third party financing.

MASA and Xstrata Copper are to use good faith efforts to negotiate and execute a shareholders' agreement governing the operating company after the date that Xstrata Copper notifies MASA of its intention to exercise the Back-in Right. The activities that may be undertaken by the operating company while Xstrata Copper is completing its back-in and thereafter, until a shareholders agreement is signed, will be limited to those activities necessary to deliver the Bankable Feasibility Study. From the date that Xstrata Copper satisfies the conditions of the Back-in Right up until the date on which a shareholders agreement is signed, each of MASA and Xstrata Copper will have a right of first refusal over any bona fide offer received by the other party from a third party purchaser (other than an affiliate) to purchase any of its interest, directly or indirectly, in the project.

The obligation of Xstrata Copper to seek project financing and the limitations placed on the operating company will cease if MASA transfers, directly or indirectly, its interest in the project (other than to an affiliate) or in the event of a change of control of MASA, regardless of whether MASA and Xstrata Copper have entered into a shareholders agreement.

The obligations of MASA under the Option Agreement are guaranteed by Minera Andes and the obligations of Xstrata Copper are guaranteed by Xstrata Queensland Limited. Minera Andes is prohibited from entering into certain transaction resulting in its disposing its interest in the project or certain portion of its interest in Minera Santa Cruz S.A., unless the acquirer assumes Minera Andes' guarantee obligations under the Option Agreement.

The combined Minera Andes-Xstrata Copper property package (approx. 7,500 Ha) encompasses a large, enriched (chalcocite) copper zone at Los Azules. The 2006-2007 field season exploration program completed 11 drill holes totaling 3,714 meters in the copper target. Several holes ended in copper mineralization, including AZ-07-24D that bottomed in high-grade copper over 1 percent.

Currently underway is a planned 2007-2008 exploration program of 24 holes totaling 10,000 meters, in two stages of 5,000 meters. The 2007-2008 field season Los Azules extends from November 2007 to April 2008.

The exploration program at Los Azules is designed to define an inferred resource estimate and provide sufficiently detailed information to allow the completion of a Preliminary Assessment (as defined by NI 43-101) of the property.

Over half the drilling to define a copper resource has been completed to date and drilling is in progress this field season over the known area of leachable (chalcocite) and sulfide (chalcopyrite) copper mineralization as currently defined. The area of drilling covers approximately 2.5 kilometers by 0.9 kilometers within the enriched copper target currently identified at Los Azules that is about 3.3 kilometers long and 0.9 kilometers wide. Holes will be drilled at a nominal grid spacing of 200 meters east-west and 400 meters north-south. Where needed fill in holes will be drilled on the 200 meter north-south grid lines.

Drilling this season started on the northern half of the mineralized copper target where AZ-06-19 encountered 221 meters of mineralization averaging 1.62% copper that was 200 meters from hole AZ-06-20 containing 173 meters of 1.00% copper. Drilling will also include infill drilling on the southern half of the target. The holes will be drilled to a depth of approximately 350 meters. This drilling will test a known area of leachable (chalcocite) and sulfide (chalcopyrite) copper mineralization currently defined by 26 drill holes.

Assay results are in from the first core hole drilled in the 2007-2008 field season at the Los Azules porphyry copper project. Hole AZ-07-30 encountered 113 meters of 1.04 % copper within a larger zone of 200.8 meters of 0.89 % copper.

As of mid March 2008, seven vertical core holes have been completed totaling 2,528 meters of the 5,000 meter, 12 hole drilling Stage I program underway as part of the 2007-2008 exploration program. Four holes are currently being drilled and assays are pending for six holes. Hole AZ-07-30 was drilled near the northeast of currently defined area of copper mineralization. The upper 123 meters of the hole contained leached cap rocks underlain by high-grade porphyry copper mineralization to 323.8 meters.

Consultants and an independent engineering firm have been retained to monitor the program and prepare the NI 43-101 resource estimate and Preliminary Assessment report. The fieldwork is being managed by Minera Andes' technical staff with the assistance of Nivaldo Rojas and Associates.

The highlights from the previously reported 2005, 2006, and 2007 drilling campaigns are listed in Table 1 below with several holes ending in copper mineralization, including AZ-07-24D and AZ-06-19 that bottomed in high-grade copper over 1 percent.

Table 1. Significant Drilling Results at Los Azules, 1998 to 2007					
Drill Hole	TD (m)	Intersection From (m)	To (m)	Interval* (m)	Total Copper (%)
AZ-04-01 (core)	195	130	195	56	0.62
Includes:		150	192	36	0.82
AZ-04-02 (core)	330.5	164	304	140	0.38
Includes:		164	190	26	0.47

Includes:		230	304	72	0.42
AZ-04-04 (core)	300.8	162	282	120	0.54
Includes:		162	202	40	0.59
Includes:		236	282	46	0.64
AZ-04-07 (core)	168.8	96	152	56	0.44
Includes:		126	152	26	0.58
LA-04-98 (RC)	250	117	250	133	0.47
LA-06-98 (RC)	250	61	250	189	0.44
Includes:		157	250	93	0.64
LA-08-98 (RC)	220	77	220	143	0.55
Includes:		103	220	117	0.61
LA-03-04 (RC)	226	94	226	132	0.40
Includes:		104	114	10	1.12
AZ-06-10 (core)	261.35	174	261.35	87.35	0.83
AZ-06-11 (core)	270.7	158.7	270.7	158.7	0.51
AZ-06-14 (core)	224.55	136	178	42	1.13
Includes:		136	158	22	1.40
AZ-06-17 (core)	183.5	66	183.5	117.65	0.63
Includes:		66	124	58	0.84
AZ-06-19 (core)	299.4	78.25	299.4	221.15	1.62
Includes:		78.25	116	37.75	2.22
Includes:		134	146	12	3.94
AZ-06-20 (core)	253.3	80	253.3	173.3	1.00
Includes:		80	98	18	1.69
Includes:		98	182	84	1.12
AZ-07-22 (core)	271.2	119	257	138	0.62
Includes:		119	155	36	0.99
Includes:		119	139	20	1.24
Includes:		155	257	102	0.49
Includes:		213	227	14	0.71
AZ-07-24D (core)	278.2	124	278.2	154.2	0.54
Includes:		124	160	36	0.80
Includes:		160	202	42	0.50
Includes:		202	234	32	0.34
Includes:		234	278.2	44.2	0.66
Includes:		234	254	20	0.74
Includes:		264	278.2	14.2	0.87
AZ-07-29B	226.85	126	216	90	0.71
Includes:		126	154	28	0.86
Includes:		170	204	34	0.92

*True thickness of the copper mineralization is undetermined.

All results have been reviewed by Brian Gavin, Minera Andes' vice president of exploration, an appropriately qualified person as defined by National Instrument 43-101. All samples were collected in accordance with industry standards. Splits from the drill core samples were submitted to Alex Stewart Assayers, Argentina, S.A., in Mendoza, Argentina, for sample pulp preparation and to ALS Chemex Laboratories, Mendoza, during the 2004 field season and to ACME Analytical Laboratories, Mendoza, during the 2006 and 2007 field seasons, for fire assay and ICP analysis. Accuracy of results is tested through the systematic inclusion of standards, blanks and check assays and by reanalysis of 10% of samples at the Alex Stewart Assayers,

Argentina, S.A. lab in Mendoza Argentina.

San José Project

The San José project area covers 50,491 ha, comprising 46 contiguous Mining Claims (8 “Minas” or approved mining claims; and 38 “Manifestations” or claims that are in the application process for mining claim status) and one exploration claim (cateo) located in the western half of the province of Santa Cruz. The San José project is operated by Minera Santa Cruz S.A. (“MSC”) (owned 51% by Hochschild Mining plc (“Hochschild”) (HOCML Reuters, HOC LN Bloomberg, London Stock Exchange) and 49% by Minera Andes. Hochschild has over forty years experience in the exploration, evaluation and extraction of precious metal epithermal vein deposits in Latin America. In addition, Hochschild has extensive experience in underground mining and operates several underground epithermal vein mines located throughout the Americas that are geologically similar to the San José project.

The San José mine celebrated its inaugural ceremony on June 26, 2007 and commenced production during the third quarter of 2007. The mining operation approached full production by year-end and the process plant, which is still in the commissioning phase, is expected to reach full capacity in first half of 2008. The mine is currently staffed with approximately 436 employees and 148 contractors. Based on a new NI43-101 technical report filed in November of 2007 (filed at www.sedar.com) a start-up production rate of 750 tonnes per day, the mine at full production is forecasted to produce approximately 64 thousand ounces of gold and 3.9 million ounces of silver on an average annual basis for the life of the mine.

In 2007 reserves at the San José mine increased by 100 percent primarily through drilling from 2006 thru June 30, 2007. The Technical Report filed in November of 2007 includes updated reserves and mineral resources identified from first-half 2007 exploration drilling, underground development and conversion of 2006 mineral resources into mineral reserves at the San José project in Santa Cruz province, southern Argentina. In addition the report also quantifies areas of mineral potential based on drilling.

Some highlights of the new Technical Report by AMEC Americas Limited (AMEC) are as follows (*all amounts are expressed in U.S. dollars, unless otherwise indicated*):

- **Proven and Probable Mineral Reserves: at June 30, 2007 were: 2.4 million tonnes grading 6.79 g/t gold and 430 g/t silver. The economic cutoff used to calculate the reserves is \$94/t (using a price of \$500 for gold and \$9.00 for silver and taking into account metallurgical recoveries).**
- **Gold contained: 521,000 ounces of Proven and Probable Mineral Reserves**
- **Silver contained: 38 million ounces of Proven and Probable Mineral Reserves**
- **Production: 750 t/day at full production mining rate**
- **Forecast average operating costs of: \$3.92 per ounce silver equivalent**
- **Mine life increased from 5.2 yrs to 9 yrs**
- **Forecast average gold production: 64,000 ounces per year at full production**
- **Forecast average silver production: 3.9 million ounces per year at full production**
- **Mineral potential was estimated for three targets to total: 1.6-3.4 million tonnes, with 6-10 g/t gold and 200-600 g/t silver**

The new Technical Report by AMEC entitled “San José Property San Cruz Province, Argentina NI 43-101 Technical Report”, was authored by Pierre Rocque (P. Eng.), William Colquhoun (FSAIMM), Emmanuel Henry MAusIMM (C.P.), and Armando Simon, R.P. Geol., AIG, appropriately qualified persons according to NI 43-101. The results from the new report indicate that the 2006 core drilling program (128 holes totaling 22,047 meters) and 2007 development and drilling on the Kospi and Frea veins at San José increased silver and gold reserves by 100% (on a tonnage basis) from the level announced in the our September 2007 Technical Report. Work at San José through mid-2007 has increased the mineral resources and mineral reserves from an exploration drilling campaign, and development of the underground workings. We expect further increases in the mineral reserves and mineral resources from these programs. At the current mining production rate of 750 t/d the new mineral reserves that include the Kospi vein indicate a mine life of 9 years at San José, an increase of 73% over the existing mine life of 5.2 years.

San José Mine

The drilling completed on the San José mine at year end 2006 to June 30th, 2007 indicate an increase of 88% in contained silver equivalent and the mine now contains over 64 million silver equivalent ounces in the Proven and Probable Mineral Reserve categories (see reserves tables below). This increase in mineral reserves is primarily due to the addition of the Kospi vein and new development and drilling on trend of the Frea vein. Estimated mine life is 9.0 years with the current reserves at a 750 t/d mining rate.

The Kospi vein, discovered in 2005, is the first target that has been converted to a mineral reserve out of several high-priority drill targets identified on the property through early reconnaissance drilling and surface exploration programs. Other priority targets are Odin (A and B), Ayelén, Flor, Huevos Verdes West, Kospi 1, Kospi South, Lourdes, Frigga, Aguas Vivas, Roadside, and Portuguese West. Though these targets are early stage we believe that they have significant discovery potential for gold and silver mineralization. During 2007, approximately 28,587 meters of core drilling totaling 113 drill holes was conducted on several of these targets identified at San José.

The technical report by AMEC, uses a long-term gold price of \$575 per ounce (oz) and \$9.00 per oz for silver for estimating mineral reserves in its economic analysis. The average cash operating costs are estimated at \$94/tonne of ore processed, or \$235/ounce gold equivalent. AMEC estimates the San José a remaining capital expense from the initial capital cost budget to the amount of approximately \$20.8 million. The base case Net Present Value (NPV), using an 8% discount rate, is \$91 million. Based on the parameters listed above, the undiscounted NPV representing cumulative cash flow is \$150 million.

The San José mine is ramping up from the start up in the third quarter of 2007 to full commercial production. Approximately eleven kilometers of underground workings have been developed at the mine along with the associated infrastructure. Power is supplied by four diesel generators. The mine is designed to produce 750 t/d of ore from three separate structures, the Frea, Huevos Verdes, and Kospi veins, using underground mining methods. Mechanized cut and fill mining is used as the primary mining method supplemented with conventional cut and fill mining.

The processing facility utilizes a Gekko Gravity-Flotation-Intensive Leaching (GFIL) process, direct electrowinning and resin column absorption for the production of the final product a gold-silver doré. Due to the potential for additional risk with a newer process technology that might result in lower throughput and metallurgical recoveries AMEC has reduced expected recovery of gold to 75% and silver to 65% in the first year of production. They have assumed the average life of mine recovery of 90% for gold and 88% for silver in the second year. As a result there is some risk that additional plant modifications and commissioning time could be required to achieve these increased recoveries and that there would be additional capital costs.

Mineral Resources, Reserves

The new San José mineral resource and mineral reserve estimates, mine life, and mining rates, disclosed herein are based on work from our joint venture partner that was audited and adjusted by independent qualified persons Emmanuel Henry, MAusIMM (CP), and Pierre Rocque, P. Eng. at AMEC. The mineral resources and reserves remain open along strike and at depth in some areas.

At June 30, 2007 total Measured and Indicated Mineral Resources at the San José Project were 602,000 ounces of gold and 38.0 million ounces of silver, contained in 2.4 million tonnes grading 7.91 g/t gold and 500 g/t silver or 74 million ounces of silver on a silver equivalent basis (see table below). An additional 58,000 ounces of gold and 3.3 million ounces of silver, in 230,000 tonnes, grading 7.80 g/t gold and 452 g/t silver are classified as Inferred Resources. The economic cutoff used to estimate the mineral resources is \$45/t (using a price of \$500 per ounce for gold and \$9.00 per ounce for silver). Gold mill recovery used for the mineral resource estimate is 89.65% and silver mill recovery is 90.49%. Gold commercial recovery used for the mineral resource estimate is 99.68% and 99.75%

Mineral Resources* – Measured and Indicated

Area Resources (6/30/07)	Grades		Classified Resource			Contained Ounces		
	Au (g/t)	Ag (g/t)	Total Resource (t)	Measure d (t)	Indicated (t)	Gold (oz)	Silver (oz)	Silver equivalent (oz)
Huevos Verdes South	7.04	520	615,000	290,000	325,000	139,000	10,296,000	18,636,000
Frea	8.72	384	950,000	354,000	596,000	266,000	11,745,000	27,705,000
Kospi	7.63	622	800,000	0	800,000	196,000	15,991,000	27,751,000
Total Project Oct. 21, 2005	9.32	494	1,097,000	167,000	930,000	327,000	17,343,000	36,972,000
Total Project Dec 31, 2006	8.33	522	1,779,000	291,000	1,488,000	477,000	29,847,000	58,467,000
Total Project 06/30/07	7.91	500	2,365,000	645,000	1,721,000	602,000	38,032,000	74,092,000
Percentage change			+33			+26	+27	+27

**Note: Contains 100 percent of the resources, Minera Andes ownership of the project is 49%. Mineral Resources are inclusive of mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Silver/gold equivalency 1oz gold = 60 oz silver.*

The resource models were developed using industry-accepted methods. AMEC validated the model estimates, and after some adjustments, found them to reasonably estimate grade and tonnage. The mineral resource estimates are compliant with CIM Definition Standards for Mineral Resources and Mineral Reserves as incorporated by reference in NI 43–101. AMEC notes, however, that the resource classification criteria applied are generous and are at the limit of what AMEC would qualify as reasonable. AMEC also notes biases of 18% and 21% for gold and silver, respectively, at Huevos Verdes South. Even larger biases are observed at Huevos Verdes Ramal. This may not have a material impact at the scale of the property, but it will have a local impact.

At June 30th, 2007 the Proven and Probable Mineral Reserves, based on an overall economic cutoff off of \$94/t (using a price of \$500/oz for gold and \$9.00/oz for silver), are 2.4 million tonnes at 6.79 g/t gold and 430 g/t silver, containing 521,000 ounces of gold and 33,017,000 ounces of silver. The mineral reserves also take into account marginal blocks of ore located on the periphery of higher grade zones. The marginal cutoff for these blocks was \$45/t. The marginal cutoff was defined by the value of ore that meets the variable costs, but not the fixed costs. A 15% unplanned dilution and a 5% mining loss were used in the calculation for the October 21, 2005 mineral reserves and a 12% unplanned dilution and 5% mining loss has been used in the April 30th, 2007 and June 30th, 2007 mineral reserve estimations.

Mineral Reserves* - Proven and Probable

Area Reserves (6/30/07)	Grades		Classified Reserve			Contained Ounces		
	Au (g/t)	Ag (g/t)	Total Reserve (t)	Proven (t)	Probable (t)	Gold (oz)	Silver (oz)	Silver Equivalent (oz)
Huevos Verdes	5.62	417	595,000	307,000	288,000	108,000	7,974,000	14,454,000
Frea	7.77	343	937,000	350,000	587,000	234,000	10,321,000	24,361,000
Kospi	6.52	536	854,000	-	854,000	179,000	14,722,000	25,462,000
Total Project Oct. 21,	7.7	406	1,160,859	174,241	986,626	288,000	15,229,000	32,515,000

2005								
Total Project 4/30/07	7.89	417	1,195,000	311,000	884,000	303,000	16,028,000	34,224,000
Total Project 6/30/07	6.79	430	2,386,000	657,000	1,729,000	521,000	33,017,000	64,277,000
Percentage Change			+100			+72	+106	+88

**Note: Contains 100 percent of the reserves, Minera Andes ownership of the project is 49%.*

Silver/gold equivalency 1oz Au = 60 oz Ag.

The mineral resource and mineral reserve estimates are based on 472 (76,478 meters) drill holes and trenches holes and 2,733 channel samples taken from underground workings constructed at Huevos Verdes, Frea, and Kospi. The nominal spacing at Huevos Verdes and Frea is approximately 35 meters along strike (horizontally) and 50 meters vertically and at Kospi it is approximately 40 meters by 40 meters.

The following summarizes the key assumptions, parameters and methods used in the mineral resource and mineral reserve estimates:

- Gold assays were cut to 65 g/t, 10 g/t, 50 g/t, 50 g/t and 50 g/t and 30 g/t at Huevos Verdes South, Central, North, Ramal, Frea and at Kospi respectively. Silver assays were cut to 6,000 g/t, 500 g/t, 4,000 g/t, 5,000 g/t, 3,000 g/t and 2,700 g/t at Huevos Verdes South, Central, North, Ramal, Frea, and at Kospi, respectively.
- Density values used for the estimate are 2,595 t/m³ for Huevos Verdes, 2,611 t/m³ for Frea, and Kospi.
- The geological model was developed using a series of northeast oriented sections spaced approximately 5 meters to 50 meters apart.
- Assays were composited to full vein-width interval.
- The estimation was done using Ordinary Kriging coupled with oriented search ellipses.
- Block grades were estimated based on interpretation of geological parameters logged in drill holes.
- Included in the mineral resource estimate at Huevos Verdes and Frea are 2,733 chip channel samples taken from the underground workings.

San José - Mineral Potential

The new Technical Report also estimates the mineral potential at San José based on 2005-2006 drilling outside the existing mineral reserves/resources. Mineral potential was estimated using long section based blocks with 2 to 8 drill holes per target for the Odin, Aylen, and Frea extension targets. The mineral potential for these targets based on the current drilling is estimated to total 1.6 to 3.4 million tonnes ranging from 6 to 10 g/t gold and 200 to 600 g/t silver.

The estimation used a conventional method, based on the interpretation of mineralized blocks on vertical longitudinal sections, the calculation of block areas, average horizontal widths and weighted average grades of the mineralized intersections, and the subsequent calculation of block tonnages and weighted average grades.

AMEC's estimation has also considered the following procedures and assumptions:

- For Ayelén and Odín, AMEC used the composite vein true thicknesses and grades provided by Minera Andes. Composite grades were capped at 10 g/t Au and 500 g/t Ag.
- For Frea, AMEC used the individual sample lengths and assays. Individual assays were capped at 25 g/t Au and 1,000 g/t Ag. In such cases where splits were present in the proximity of the main vein (less than 10 m along the hole), the estimation considered the combined thickness and weighted average grade of the split and the vein. Splits located at greater distances were not included in the estimation.
- For the estimation of horizontal thicknesses, AMEC assumed that all veins dip 70°, and that all holes were drilled with 50° dip.
- Whenever necessary, horizontal thicknesses were diluted to 1 m minimum mining width.

- AMEC considered a 2.65 t/m³ bulk density.

It should be emphasized that this estimation is conceptual in nature, that there has been insufficient exploration to define a mineral resource, and that it is uncertain if further exploration will result in the target being delineated as a mineral resource.

Potential Tonnages and Grades of Selected Exploration Targets

Vein target	Tonnage (Million tonnes)		Gold (g/t)		Silver (g/t)	
	Minimum (Min)	Maximum (Max)	Min	Max	Min	Max
Ayelén	0.2	0.4	7	11	300	700
Odin	1.0	2.0	6	10	200	600
Frea Extensions	0.4	1.0	6	10	200	600
Total	1.6	3.4	6	10	200	600

Allen V. Ambrose, Minera Andes' President, who is an appropriately “qualified person” as defined by National Instrument 43-101, has supervised the preparation of the information in this description of San José.

Further supporting the mineral potential described in the technical report at San José, new drilling in the fourth quarter of 2007 defined 2.8 km of strike length along the Odin and Ayelén veins that have significant potential to further increase the current reserves/resources. The highest grade intercept from this drilling campaign was in hole SJD-412 that encountered 52.44 g/t (1.69 ounces per ton “opt”) gold and 1,147 g/t (37 opt) silver over 1.68 meters.

During 2007, approximately 28,587 meters of core drilling totaling 113 drill holes was conducted on several targets identified at San José. In September thru December of 2007, 82 holes totaling 20,274 meters were drilled at the Frea, Odin, Ayelén, Frigga, and Lourdes targets. Assay results for 19 drill holes are still pending. Three of the areas (Frea, Odin, and Ayelén) contained high-grade gold/silver mineralization discovered in late 2005 through reconnaissance drilling of blind geophysical targets.

The majority of the fourth quarter 2007 drilling concentrated on the Odin and Ayelén veins covering approximately 2.8 kilometers of strike length along these open-ended mineralized veins. The drilling completed in 2007 extended the known mineralization along the Odin and Ayelén vein trends another 1000 meters along strike – more than a 64% increase in strike length from the 2005 discovery drilling.

The discovery of new high-grade silver/gold mineralization in veins such as Odin, Ayelén and Frea represents additional mineralization that can add to the current reserves/resources at the project where production has recently commenced. These discoveries also indicate the large mineral potential of the San José property where more than 40 kilometers of vein trend target is currently known to exist, and of which less than 15% has been explored to date.

San José - Odin Vein

During the 2007 campaign, 30 holes were drilled on the Odin target and the vein is currently defined by a total of 44 holes in an area approximately 1600 meters along the strike of the vein to a depth of approximately 200 meters (see map in March 7, 2008 New Release). Highlights of the program included the identification of massive and banded quartz veining with disseminated pyrite and argillic alteration. The Odin vein remains open along strike and to depth.

High-grade gold and silver mineralization was intersected in the fourth quarter 2007 drilling campaign at the Odin vein (see table below). The highest grade intercept drilled in this drilling campaign is described above. Highlights of the Odin vein drilling include values up to 0.46 meters of 34.43 g/t (1.11 opt) gold and 321 g/t (10 opt) silver (SJ-368) which is part of a larger interval running 3.15 meters of 10.57 g/t (0.34 opt) gold and 244 (8 opt) g/t silver. Hole SJD-398 contains 0.50 meters of 6.30 g/t (0.20 opt) gold and 1074 g/t (35 opt)

silver at depth of 220 meters below surface. See table below for important intercepts.

San José - Ayelén Vein

Drilling in the fourth quarter has expanded the Ayelén high-grade gold silver vein to a strike length of 1200 meters and a depth of 200 meters (see map in News Release dated March 7, 2008). A total of 45 holes have been drilled on the Ayelén vein with 37 holes drilled in the 2007 campaign. The Ayelén vein structure is sub parallel to the Odin vein and dips in the same direction southwest.

Significant intercepts (see table below) at Ayelén include SJD-397 that encountered 28.22 g/t (0.91 opt) gold and 1,759 g/t (57 opt) silver over 1.02 meters. Drill hole SJD-426 encountered 1.53 meters grading 8.21 g/t (0.26 opt) gold and 1,161 g/t (37 opt) silver within a larger interval of 2.95 meters of 5.41 g/t (0.17 opt) gold and 804 g/t (26 opt) silver. Hole SJD-428 encountered 1.55 meters containing 15.41 g/t (0.50 opt) gold and 736 g/t (24 opt) silver.

San José - Frea Vein

The Frea vein is located 2 kilometers northeast of the Huevos Verdes vein, and both veins are currently being mined on several levels. Proven reserves of 587,000 tonnes and probable reserves 350,000 tonnes (totaling 937,000 tonnes grading 7.77 g/t gold and 343 g/t silver – see November 26, 2007 News Release) at the Frea vein are currently delineated over a strike length of about 575 meters and to a depth of approximately 350 meters below the surface. The drilling completed in 2007 extends the known mineralization along the Frea vein trend another 500 meters along strike - an increase of 87% in strike length. Frea Vein mineralization now extends for 700 meters of strike and it remains open to further expansion to the northwest and to depth.

The 2007 drilling concentrated on infill and drilling the northwest extension of the Frea vein. Significant drilling results include SJD-364 that encountered 11.57 g/t (0.37 opt) gold and 1,291 g/t (42 opt) silver over 3.64 meters of high grade mineralization. Drill hole SJD-386 encountered 1.50 meters grading 12.87 g/t (0.41 opt) gold and 710 g/t (23 opt) silver. Hole SJD-391 encountered 1.47 meters containing 9.41 g/t (0.30 opt) gold and 758 g/t (24 opt) silver. In 2007, the drilling at the Frea vein indicates that it is an open-ended mineralized silver/gold vein. Assay results are pending for hole SJD-442.

September thru December 2007 Drilling Highlights, San José Project

Drill Hole/Vein	From (meters)	To (meters)	Interval (meters)	Au (g/t)	Ag (g/t)
Frea					
SJD-364	142.26	145.90	3.64	11.57	1,291
SJD-367	291.78	293.86	2.08	1.54	30
SJD-383	125.77	126.15	0.38	0.30	78
SJD-386	128.20	128.75	0.55	1.86	118
and	171.90	173.40	1.50	12.87	710
SJD-391	62.53	64.00	1.47	9.41	758
Odin					
SJD-366	130.2	130.57	0.37	2.63	226
SJD-368	101.20	104.35	3.15	10.57	244
includes	101.20	103.13	1.93	15.25	334
includes	102.57	103.13	0.56	34.43	321
SJD-369	144.7	145.52	0.82	8.44	539
SJD-371	130.2	130.22	0.20	0.23	22
SJD-375	123.38	124.02	0.66	0.76	146
SJD-376	66.50	66.95	0.45	0.66	213
SJD-379	198.94	202.45	3.51	3.74	108
includes	198.94	199.24	0.30	9.29	360
includes	200.87	202.45	1.58	5.06	144
SJD-381	193.65	194.82	1.17	4.15	85
SJD-382	108.44	109.33	0.89	0.36	49

SJD-384	219.85	220.35	0.50	0.23	16
SJD-388	230.23	230.55	0.32	1.51	10
SJD-392	114.21	116.28	2.07	3.59	418
includes	114.80	115.48	0.68	6.99	951
and	134.80	135.80	1.00	1.23	189
SJD-398	125.80	126.30	0.50	6.30	1,074
SJD-401	115.60	116.05	0.45	0.45	47
SJD-403	150.20	151.80	1.60	5.20	72
SJD-404	222.10	222.90	0.80	0.99	33
SJD-409	60.87	62.40	1.53	1.05	131
SJD-412	116.66	118.34	1.68	52.44	1,147
and	122.53	123.3	0.77	4.43	335
SJD-414	58.70	61.50	2.80	6.23	110
SJD-419	115.53	116.50	0.97	3.32	90
SJD-420	234.50	235.00	0.50	0.53	95
SJD-423	136.76	137.18	0.84	3.52	388
Ayelén					
SJD-363	74.4	75.9	1.50	2.57	297
and	168.70	169.70	1.00	5.97	587
SJD-374	155.66	156.85	1.19	11.67	721
SJD-385	106.15	115.40	9.25	4.10	248
includes	106.87	108.35	1.48	11.95	240
and	111.95	115.40	3.45	3.65	343
SJD-387	204.68	205.68	1.00	0.48	62
SJD-390	203.20	204.09	0.89	1.10	196
SJD-394	228.70	229.80	1.10	3.30	482
SJD-397	186.88	187.90	1.02	28.22	1,759
SJD-406	177.93	178.90	0.97	0.04	450
SJD-412	135.4	140.53	5.13	7.11	382
and	138.81	140.53	1.72	15.41	461
SJD-420	234.50	235.00	0.50	0.53	95
SJD-421	208.20	210.25	2.05	4.60	294
SJD-422	118.35	119.10	0.75	0.13	39
SJD-425	94.35	96.00	1.65	4.86	67
SJD-426	234.07	237.02	2.95	5.41	804
including	234.63	236.16	1.53	8.21	1,161
SJD-427	75.45	77.90	2.45	6.42	861
SJD-428	77.65	79.20	1.55	15.41	736
SJD-429	101.68	103.20	1.52	4.51	584
SJD-430	236.37	237.00	0.63	4.54	656
and	241.34	243.44	2.1	3.05	308
SJD-431	124.70	125.04	0.34	0.01	684

*All of the drill holes are angle holes. True thickness of the vein is undetermined.

In addition to the holes listed in the table above, four holes (SJD-370, 372, 377, and 395) were drilled in the Lourdes target plus five holes (SJD-400, 402, 405, 408, and 413) were drilled in the Frigga target and one hole SJD-396 was drilled at the Kospi vein. These holes encountered quartz veining and/or hydrothermal breccia that did not return values above background levels of gold and silver. Although only background gold and silver values were encountered, the geologic features identified at these targets are consistent with precious metal-bearing epithermal systems. One goal of this reconnaissance drilling is to identify promising geologic trends that will be further tested in order to explore for high-grade shoots typical of the mineralization found at the Frea, Kospi, and Huevos Verdes veins. Also, several other targets, such as Aguas Vivas to the north, remain to be drill tested on the property. Assay results are pending on drill holes SJD- 407 and SJD-408.

At Odin drill holes SJD-373, 393, and 399 did not intersect the vein and holes SJD-362, 365, 407, 415, and 424 contained no gold and silver values. Assay results are pending for Odin holes SJD-410, 411, 418, 438, and 440. At Ayelén drill holes SJD-378, 380, and 411 intersected the quartz vein without precious metal values and assay results are pending on SJD-416, 432-439, 441, and 443.

On March 12, 2008, Hochschild released updated resource and reserve estimates at San José in their Preliminary Results for Year Ended 31 December 2007. These results show an increase in reserves of 19% and an increase in resources of 28% over the year ended 31 December 2006 JORC Code results. Currently Minera Andes cannot endorse these results as only a part of the data on which the resource /reserve calculations are based has been released to Minera Andes. Minera Andes is in the process of obtaining this information and will review the data and report on the results as soon as practicable. Exploration work completed in the second half of 2007 includes 20,274 meters (82 holes) of drilling mainly on Frea, Odin, and Ayelén veins and several hundred meters of drifting along the Frea vein. Receipt of assay results is underway for 19 drill holes. The Frea, Odin, and Ayelén veins all have mineral potential and remains open at depth and along strike.

MSC plans a 2008 exploration program at San José consisting of mapping, compilation and interpretation of all project data on a district scale (115 km²) to identify new targets. Approximately 4,000 meters of surface drilling and 3,800 meters of underground drilling are planned for 2008 as a follow-up on the targets generated from the surface work.

Assay results for the drilling were reviewed by Brian Gavin, Minera Andes' vice president, exploration, who is an appropriately qualified person as defined by National Instrument 43-101. All samples were collected in accordance with industry standards. Splits from the drill core samples were submitted to Alex Stewart Assayers, Argentina, S.A., in Mendoza, Argentina, for fire assay and ICP analysis. Accuracy of results is tested through the systematic inclusion of standards, blanks and check assays.

San José - Mine Expansion

In March 2007, an aggressive exploration program was approved by the joint venture partners with the goal of adding new reserves and resources, and identifying new veins to increase mine life and facilitate the expansion of production at the San José Mine. Currently, a total of 40 kilometers of vein trend has been identified on the San José property. Extensive drilling has been conducted on only 15% or about 4 km of veins that make up the reserve and resource base. The 2007 drilling campaign was highly successful contributing significantly to increasing reserves and resources at San José. The mine life has doubled from 4.5 year to over 9 years and it appears we have the potential to add new reserves and resources.

In November of 2007, the board of MSC made the formal decision to double production capacity from 750 tonnes per day (tpd) to 1,500 tpd at the San José mine in southern Argentina. The cost of the expansion will be financed primarily from cash flow from the existing mine and unsecured local bank financing. Minera Andes anticipates the expansion to be completed by year-end 2008.

Various pieces of new equipment have been ordered by MSC for the mine expansion, including a new ball mill, flotation cells, a crusher and other ancillary equipment. Also, work to connect to the national power grid is underway, and this connection is forecast to provide significant cost savings over the on-site diesel generators that currently supply the electrical power to the project. Following connection to the power grid, the diesel generators will be retained as a backup power supply.

San José - Costs

In Q3 of 2007 the construction completion of the 750 tonnes per day operation is was estimated to cost \$94.1 million, plus value added tax (IVA). Pre-completion mine expansion costs and costs related to the change in scope to the original mine plan incurred to date are approximately \$11 million, plus IVA. At the end of the second quarter of 2007, when the decision to place the mine into production, Minera Andes reported the mine cost was estimated at \$78.3 million, plus IVA. The amounts paid for IVA tax are refundable to MSC ratably based on production.

The 20% cost increase for completing construction of the mine arises from increases due to inflation of equipment and materials costs, construction delays, and increased contractor costs. Mine expansion costs and costs related to the change in scope to the original mine plan of approximately \$11 million include the expansion of facilities, purchase of over-dimensioned equipment, mining engineering studies for the Kospi vein, the commencement of construction of the ramp for the Kospi vein, and additional underground workings.

The current project loan facility for \$61 million with Hochschild was expanded to \$65 million at the end of the second quarter of 2007 to cover additional mine completion costs and we are currently finalizing the terms and conditions of the formal loan documentation. The loan will be repaid from MSC cash flow and there is no hedging of the project's gold and silver production (which had been required under the previously arranged bank financing facility). To accelerate the mine expansion and provide necessary funds from mine cash flow, Hochschild has agreed to extend the payback of the project loan facility until after completion of the expansion (except for expected repayment of \$4 million from the proceeds of local bank loans to MSC in October, 2007).

In August 2007, the board of MSC approved a budget of \$102.9 million for construction completion of the 750 tonnes per day operation, pre-production mine expansion costs, and costs related to the change in scope to the original mine plan incurred to date, \$5.4 million for two months of sustaining costs, \$2.1 million for exploration, \$2.9 million for electrical connection to the regional power grid, and the related IVA for each item. The amounts paid for IVA tax are refundable to MSC ratably based on production. An amount of \$27.4 million was funded by the MSC shareholders (Hochschild and Minera Andes).

In November 2007, the board of MSC approved project capital increases of \$42.5 million. These capital increases are related to incremental costs associated with the processing facility at San José taking longer than anticipated to reach full capacity which required \$34.1 million. At the end of 2007 Minera Andes investment in MSC totaled approximately \$65 million.

San José - Production

In Q1 2008 the San José mine now comprises more than 13 km of underground workings accessed by ramps accessing the Huevos Verdes and Frea veins. A third ramp has also been constructed to access the Kospi vein, where 173 meters of the vein have been developed to date. The mine is currently staffed with 436 employees and 148 contractors.

The San José gold/silver mine saw a steady increase in production in Q4 2007 as reported by MSC to the owners. The San José mine is currently operating at rate of 750 tonnes per day. The first sales of metal from the mine occurred in December of 2007. The sales of metals that were produced during the construction/commissioning phase of the plant went to reduce the capital required for 2007. At year-end the mine had had about 90% of its metal in inventory in the form of concentrates and doré. Several contracts are in place to sell doré and concentrate production.

SAN JOSE MINE PRODUCTION

Product	Q4 2007	Q3 2007	Year end 2007
Ore production (tonnes)	65,480	27,494	92,974
Average head grade silver (g/t)	536	544	538
Average head grade gold (g/t)	7.03	7.21	7.08
Silver produced (ounces)	776,000	182,000	958,000
Gold produced (ounces)	11,660	3,300	14,960
Net silver sold (ounces)*	92,000	0	92,000
Net gold sold (ounces)*	1,490	0	1,490

*855 ounces of gold and 42,379 ounces of silver were produced during construction phase of the plant and have been recorded as a reduction to the capitalized cost of the plant.

During the start-up of San José in Q2 2007, several factors contributed to delays in the processing plant becoming fully operational, including technical issues related to the mill and the flotation process; problems with the intensive leaching process that produces a precipitate that is converted into doré, and extreme August weather conditions. We are advised that although the processing plant is now operating at capacity, the intensive leaching process remains in the commissioning stage. Re-engineering work is currently underway to improve the detoxification process. The operator expects these issues to be corrected in the first half of 2008.

Other Mineral Properties

In addition to the Los Azules and San José properties, we own 100% of other mineral exploration properties, primarily silver and gold properties in the Santa Cruz province, comprised of 15 cateos and 29 manifestations of discovery totaling 89,775 hectares (221,839 acres). These properties reveal numerous similarities to the San José property. Other prospects contain structures with sinter-like quartz veining and anomalous arsenic and mercury. In San Juan province we hold four copper properties including Los Azules totaling 48,547 hectares. We plan to spend a minimum of \$500,000, subject to available financing, in exploration on these Other properties in the coming year.

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

Selected Annual Information

	December 31, 2007	December 31, 2006	December 31, 2005
Financial results			
Net loss	\$ 8,195,137	\$ 10,772,440	\$ 3,634,060
Basic and diluted loss per common share	.05	.08	.04
Financial position			
Total assets	130,754,939	48,986,553	25,452,826
Total long-term liabilities	39,671,830	9,845,000	--
Cash flow			
Cash used in operating activities	(654,307)	(1,789,156)	(1,441,846)
Cash used in investing activities	(24,377,346)	(16,929,581)	(12,817,344)
Cash provided by financing activities	45,888,167	17,648,799	15,846,929
Increase (decrease) in cash and cash equivalents	20,856,514	(1,069,938)	1,587,739
Cash and cash equivalents, beginning of period	2,244,621	3,314,559	1,726,820
Cash and cash equivalents, end of period	23,101,135	2,244,621	3,314,559

Summary of Quarterly Results

Quarter ended	12/31/07	9/30/07	6/30/07	3/31/07	12/31/06	9/30/06	6/30/06	3/31/06
Net loss	5,788,128	980,211	417,144	1,009,654	8,149,816	777,110	1,277,664	567,849
Per share	.03	.01	.00	.01	.05	.01	.01	.01
Basic and diluted loss per common share	.03	.01	.00	.01	.05	.01	.01	.01

Results of Operations

2007 compared to 2006

In 2007, our net loss was \$8.2 million (5 cents per share) compared with a net loss of \$10.8 million (8 cents per share) in 2006. The difference was caused primarily by stock option compensation and write-off of deferred exploration costs being \$5.0 million and \$0.3 million less, respectively, in 2007 than in 2006. Our general and administrative costs were \$2.8 million in 2007 compared to \$7.0 million in 2006. The difference was caused primarily by the difference in stock option compensation and write-off of deferred exploration costs between the two years. The following table summarizes other significant changes in operations in 2007 compared to 2006.

<u>Description</u>	<u>2007</u>	<u>2006</u>
Legal, audit and accounting fees(1)	\$ 812,699	\$ 619,729
Consulting fees(2)	426,742	1,766,655
Office overhead and administration fees(3)	499,228	382,595
Wages and benefits(2)	736,764	4,064,959
Foreign exchange (gain) loss(4)	(699,459)	76,602
Loss on equity investment(5)	4,665,855	1,436,468

Notes:

- (1) Legal, audit and accounting fees include legal expenses for listing on the Toronto Stock Exchange in 2007 and an increase in auditing fees related to Sarbanes Oxley 404 work.
- (2) Consulting fees and wages and benefits decreased primarily because \$1,407,049 and \$3,622,838, respectively, were expensed in 2006 for stock option compensation, compared to \$40,000 in stock option compensation expense included in wages and benefits in 2007.
- (3) Increase in office overhead and administration fees primarily due to increase in marketing and advertising costs.
- (4) We realized a foreign exchange gain in 2007. This is mostly related to the effect of a strengthening Canadian dollar on our cash equivalents in Canadian dollar instruments.
- (5) The loss on equity investment is our share (49%) of the operating loss incurred by Minera Santa Cruz S.A.

In 2008 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, 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.

Having completed an impairment review, we determined to write-off \$1,127,287 of mineral properties and deferred exploration costs relating to Santa Cruz Cateos project in 2007 (2006 –\$1,712,633); and \$250,997 relating to Chubut projects (2006-nil).

Mineral property and deferred exploration costs in 2007 amounted to \$4.1 million compared to \$2.8 million in 2006.

The following table summarizes the significant changes in exploration expense for 2007 compared to 2006.

<u>Description</u>	<u>2007</u>	<u>2006</u>
Construction and trenching	\$ 187,109	\$ 32,265
Consulting	158,709	163,333
Drilling	1,283,643	850,803
Equipment rental	555,667	240,597
Geology	757,041	504,832
Legal	183,676	125,012
Materials and supplies	193,559	82,575
Property and mineral rights	45,921	221,334
Travel	268,130	215,540

Significant differences between years were due to increased exploration activity in 2007 primarily at the Los Azules property.

2006 compared to 2005

In 2006, our net loss was \$10.8 million (8 cents per share) compared with a net loss of \$3.6 million (4 cents per share) in 2005. The difference was caused primarily by stock option compensation and write-off of deferred exploration costs being \$4.3 million and \$1.7 million greater, respectively, in 2006 than in 2005. Our general and administrative costs were \$7.0 million in 2006 compared to \$2.3 million in 2005. The difference was caused primarily by the difference in stock option compensation between the two years. The following table summarizes other significant changes in operations in 2006 compared to 2005.

<u>Description</u>	<u>2006</u>	<u>2005</u>
Legal, audit and accounting fees(1)	\$ 619,729	\$ 267,225
Consulting fees(2)	1,766,655	595,752
Office overhead and administration fees(3)	382,595	308,037
Wages and benefits(2)	4,064,959	858,969

Notes:

- (1) Legal, audit and accounting fees increased this year due to an increase in audit fees and accounting fees related to Sarbanes-Oxley compliance.
- (2) Consulting fees and wages and benefits increased primarily because \$1,167,096 and \$3,093,698 more in stock option compensation, respectively, were expensed in 2006 than in 2005.
- (3) Office overhead and administration fees included public and investor relations program expenses,

advertising and numerous conferences attended during the year.

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.

Our lease and loan obligations as at December 31, 2007 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-Project loan (1)	\$ 31,850,000	\$6,860,000	\$24,990,000	\$ --	\$ --
Long Term Debt-Bank Loan(2)	14,591,830	--	14,591,830	--	--
Operating Lease Obligations (3)	82,512	41,112	41,400	--	--
Purchase Obligations	--	--	--	--	--
Capital Lease Obligations	--	--	--	--	--
Other long-term liabilities – Asset Retirement Obligation	90,000	--	--	--	90,000
Total	\$ 46,614,342	\$ 6,901,112	\$ 39,623,230	\$ --	\$ 90,000

- (1) Under terms of the project financing facility for the San José mine, a subsidiary of Hochschild will lend 51% of a bridge loan and permanent financing directly to MSC and 49% of the loan will be lent to Minera Andes which in turn will lend the funds to MSC. The amount shown above is the loan that Minera Andes owes Hochschild and is mirrored by a loan in equal amount that MSC owes Minera Andes. The loan will be paid out of cash flow from the mine. See Note 4b in the December 31, 2007 consolidated financial statements for additional details.
- (2) Macquarie Bank Limited. See Note 6 in the December 31, 2007 consolidated financial statements for additional details.
- (3) Contingency consists of various lease agreements for office and storage space in Spokane, United States, Vancouver, Canada and Mendoza, Argentina.

The table of contingencies above does not include the following:

On December 2, 2003, we signed an agreement that obligated us to pay N.A. Degerstrom, Inc. a royalty of \$250,000 if any of the current properties, other than the properties comprising the San José project, meet certain conditions such as bankable feasibility or commercial production. Our obligation expires December 31, 2013. As of December 31, 2007 no payments are required under this agreement.

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 Neuquén have waived their right to a royalty. The provinces of Río Negro, San Juan, Santa Cruz and Chubut have not yet established a policy regarding the royalty.

MSC has signed agreements with third party providers relating to the development of the San José/Huevos Verdes project. Our 49% portion of these commitments is approximately \$16 million.

We are obligated to fund our 49% of costs at San José that are not funded by project financing as well as 49% of capital contributions or our ownership will be diluted. As of December 31, 2007, we do not expect to have any further cash calls as the Company is now operating and plant expansion costs are to be paid from cash flow of the operation.

In March 2007, we received a two-year loan from Macquarie Bank Limited for \$7,500,000 of which \$5,880,000 was for the development of the San José project and \$1,620,000 was for general purposes. In October 2007, Minera Andes received another tranche \$10 million on the existing loan facility from Macquarie. The total loan facility to them is \$17.5 million. The main purpose of the facility was to provide additional funding to Minera Andes for its 49% portion of the costs of the exploration, sustaining capital, cost overruns and expansion related costs of the MSC project that commenced production in the second quarter of 2007. See Note 6 in the December 31, 2007 financial statements for additional details.

The October 2007 debt financing was primarily for Minera Andes' 49% share of the October cash call from MSC of \$17.4 million for costs of mine construction, expansion of the exploration program which includes drilling new targets, expanding the reserves and resources, and for general working capital. In October 2007 Minera Andes sent funds of \$8.53 million to MSC to fund its 49% portion of the cash call.

On November 8, 2007, we entered into an agreement with a consultant that requires the payment of \$30,000 per month for the term of the agreement. The term is unspecified and can be cancelled at any time after February 2008.

Outstanding Share Data (as at March 26, 2008):

Class and Series of Security	Number Outstanding	Expiry Date of Convertible Securities	Relevant Terms
Common shares	189,324,935		
Stock options	10,070,000	Various (December 5, 2008 to March 21, 2013)	Exercisable for one common share each at Cdn\$0.31 to Cdn\$1.73
Purchase warrants	22,400,605	Various (September 19, 2008 to March 22, 2010)	Exercisable for one common share each at Cdn\$0.50 to Cdn\$2.41
Agents compensation options	1,104,282	December 21, 2009	Exercisable for one unit each at Cdn\$1.70. Each unit consists of one common share and one-half purchase warrant, exercisable at Cdn\$2.00
Agents compensation purchase warrants	552,140	December 21, 2009	

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.

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 we cannot assure you that we will be able to do so in the future. Management is actively pursuing such additional sources of financing; 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 31, 2007, that would express 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, 2007, we had cash and cash equivalents of \$23.1 million, compared to cash and cash equivalents of \$2.2 million as of December 31, 2006. Working capital at December 31, 2007 was \$3.7 million compared with \$1.6 million at the end of 2006. Net cash used in operating activities during 2007 was \$0.6 million compared with \$1.8 million in 2006. Investing activities in 2007 used \$24.4 million, compared with \$16.9 million used in 2006. The increase in investing activity is due to the investment in the San José project.

In 2007, we had private placements which raised proceeds of \$20.6 million, net of agents' commissions, through the issuance of 13,880,645 units at a price of Cdn\$1.55 per unit, gross proceeds of \$7.1 million for the exercise of 8,904,852 warrants; and \$0.8 million for the exercise of 1,650,000 stock options.

In October 2006, we signed a letter of intent for project financing with an affiliate of Hochschild. Under terms of the project financing facility for the San José mine, an affiliate of Hochschild lent 51% of a bridge loan and permanent financing directly to MSC and 49% of the loan was lent to Minera Andes which in turn will lend the funds to MSC. As at December 31, 2007 and March 26, 2008, the \$20 million bridge loan plus \$45 million in advances on the permanent financing, a total of \$65 million, had been lent to the project; the 49% portion of this which was lent from Hochschild to Minera Andes and in turn lent from Minera Andes to MSC was \$31.85 million. See Note 4b of the December 31, 2007 consolidated financial statements for additional details.

In February 2007, the shareholders approved a warrant exercise incentive program. The Company received gross proceeds of Cdn\$3.9 million through the early exercise of 6,006,758 warrants, under the incentive program for the early exercise of three series of common share purchase warrants of the Company.

In March 2007, we received a two-year loan from Macquarie Bank Limited ("Macquarie") for \$7,500,000 of which \$5,880,000 was for the development of the San José project and \$1,620,000 was for general purposes. See Note 6 in the December 31, 2007 consolidated financial statements for additional details. In October 2007, Minera Andes received a loan facility from Macquarie Bank Limited of \$10 million. The main purpose of the facility was to provide additional funding to Minera Andes for its 49% portion of the costs of the exploration, sustaining capital, cost overruns and expansion related costs of the MSC project that entered its production commissioning phase in the third quarter of 2007.

On December 19, 2007, we announced proposed financing for a brokered private placement of units for gross proceeds of up to Cdn\$35.0 million. On December 21, 2007 the first closing was completed. The first closing was completed for Cdn\$21.515 million by issuing 13,880,645 units at a price of Cdn\$1.55 per unit.

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\$2.00 per share until December 21, 2009. The securities are subject to a four-month hold period. Scotia Capital Inc. ("Scotia") acted as agent on the brokered private placement in Canada while Shoreline Pacific LLC acted in the U.S. (together the "Agents"). The finders received a cash commission of 5% of the

gross proceeds of \$1,075,781. The finders also received agent's compensation options ("Agent's Options") equal to 5% of the aggregate number of units sold pursuant to the offering. Each Agent's Option upon exercise will entitle the holder to acquire one unit at an exercise price of Cdn\$1.70 per unit until December 21, 2009. The fair value of the agent options was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield – Nil; risk free interest rate – 3.85%; expected volatility of 58.79% and an expected life of 24 months. The fair value calculated to be \$365,934 was recorded with a corresponding entry to contributed surplus. A total of 13,880,645 common shares have been issued pursuant to the final closing of the private placement, and 6,940,322 common shares will be reserved for issuance on the exercise of the warrants and the 694,032 units for exercise of the Agent's Options.

Subsequent to year end on January 29, 2008, a second closing was completed. The second closing was completed for Cdn\$12.079 million by issuing 7,778,023 units at a price of Cdn\$1.55 per unit. 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\$2.00 per share until December 21, 2009. The securities are subject to a four-month hold period. Scotia Capital Inc. ("Scotia") acted as agent on the brokered private placement in Canada while Shoreline Pacific LLC acted in the U.S. (together the "Agents"). The non-brokered private placement was completed with Canaccord Capital Corporation ("Finders"). The Agents and Finders received a 5% commission. The Agents and Finders also received Agent's compensation options ("Agent's Options") equal to 5% of the aggregate number of units sold pursuant to the offering. Each Agent's Option upon exercise will entitle the holder to acquire one unit at an exercise price of Cdn\$1.70 per unit until December 21, 2009. A total of 7,778,023 common shares have been issued pursuant to the second closing of the private placement, and 3,896,511 common shares will be reserved for issuance on exercise of the warrants and 389,651 units for issuance on the exercise of the Agent's Options.

The third and final closing of the private placement was completed on February 11, 2008 and sold 427,000 units at a price of Cdn\$1.55 per unit for gross proceeds of Cdn\$661,850. The final closing was non brokered private placement. 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\$2.00 per share until December 21, 2009. The securities are subject to a four month hold period. The non-brokered private placement was completed with Canaccord Capital Corporation ("Finders"). The Finders received a cash commission of 5% of the gross proceeds. The Finders also received agent's compensation options ("Agent's Options") equal to 5% of the aggregate number of units sold pursuant to the offering. Each Agent's Option upon exercise will entitle the holder to acquire one unit at an exercise price of Cdn\$1.70 per unit until December 21, 2009. A total of 427,000 common shares have been issued pursuant to the final closing of the private placement, and 213,500 common shares will be reserved for issuance on the exercise of the warrants and the 21,350 units for exercise of the Agent's Options.

Related Party Transactions

During 2007 and 2006, we incurred the following transactions with a related party: legal fees to a director and officer totaling \$62,344 and \$55,839, 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.

Investor Relations

During 2007 we attended various trade shows and gold conferences to increase awareness in our activities in the mining industry. We also 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.

Audit Committee

Allan J. Marter, previously a senior financial executive with Golden Star Resources Ltd., of Littleton, CO, is a member of the board of directors and Chairman of the audit committee. The other audit committee members

are Jack Crabb and Gary Craig. As defined in NI 52-110, all of the audit committee members are “independent” and “financially literate.” Mr. Marter also qualifies as a financial expert, as defined by General Instruction B(8) of Form 40-F.

EVALUATION OF CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes 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 is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of management, including the Company’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of the end of the period covered by this Annual Report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company’s internal control over financial reporting were not effective as December 31, 2007, at the reasonable assurance level, because of the material weaknesses described in *Management’s Report on Internal Control over Financial Reporting*.

Notwithstanding the existence of the material weaknesses described below, management has concluded that the consolidated financial statements in this Form 40-F fairly present, in all material respects, the Company’s financial position, results of operations and cash flows for the periods presented.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the preparation and fair presentation of published consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP), including a reconciliation of net loss to US Generally Accepted Accounting Principles (US GAAP).

The Company’s internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the consolidated financial statements.

Internal controls over financial reporting, no matter how well designed, have inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2007, based on the criteria set forth in the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The objective of this assessment was to determine whether the Company's internal control over financial reporting was effective as of December 31, 2007.

A material weakness, as defined by Securities Exchange Commission rules, is a significant deficiency, or combination of significant deficiencies, such that there is a reasonable possibility that material misstatement of the annual or interim consolidated financial statements will not be prevented or detected. In its assessment of the effectiveness of internal control over financial reporting as of December 31, 2007, management determined that there were control deficiencies that constituted material weaknesses, as described below.

The Company does not have sufficient personnel with the skills and experience in the application of US GAAP. This control weakness results in a reasonable possibility that a material misstatement in the notes of the consolidated financial statements on the differences between Canadian and United States generally accepted accounting principles will not be prevented or detected on a timely basis. Specifically, the Company's disclosure controls initially failed to identify the impact of new accounting pronouncements in the Company and other amendments to related note disclosures. These errors were corrected by management prior to the issuance of the Company's December 31, 2007 consolidated financial statements.

The Company does not have sufficient personnel with the necessary knowledge, experience and training in the application of income tax commensurate with the Company's financial reporting requirements. This control weakness results in a reasonable possibility that a material misstatement in the notes of the consolidated financial statements on income taxes will not be prevented or detected on a timely basis. These errors were corrected by management prior to the issuance of the Company's 2007 consolidated financial statements.

Based on our assessment and because of the material weaknesses described above, management has concluded that our internal control over financial reporting was not effective as of December 31, 2007.

The effectiveness of the registrant's internal control over financial reporting as at December 31, 2007 has been audited by BDO Dunwoody LLP as stated in their Auditor's Report that accompanies the registrant's consolidated financial statements for the fiscal year ended December 31, 2007 filed as Exhibit 99.2 to this Annual Report on Form 40-F.

Remediation of Control Weakness

The Company will enhance its US GAAP accounting and tax staff training and development. Additionally, the Company will increase the use of services of outside consultants who have expertise in complex US GAAP accounting and tax matters to assist in identifying and resolving complex issues.

Changes in Internal Control over Financial Reporting

During the fiscal year ended December 31, 2007, there were changes in the registrant's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting, as follows:

The registrant has enhanced controls surrounding interim end and year end reporting. One of the major enhancements is improved documentation over the financial statement preparation.

Critical Accounting Policies

The preparation of consolidated 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 relates to mineralization and deferred development costs. Other accounting policies are disclosed in Note 2 of Notes to Consolidated Financial Statements. These financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should we be unable to continue as a going concern.

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.

Recent Accounting Pronouncements

Recently issued Canadian and United States accounting pronouncements have been outlined below.

In September 2006, Financial Accounting Standard Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) No. 157, “*Fair Value Measurements*” (“FAS 157”). FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FAS 157 are effective for the fiscal year beginning November 15, 2007. The Company expects that adoption of SFAS 157 will not have a material effect on its financial condition or results of operation.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, “*Employer’s Accounting for Defined Benefit Pension and Other Postretirement Plans*” - an amendment of FASB Statement No. 87, 88, 106 and 132R (SFAS 158). This Statement requires an employer to recognize in its statement of financial position an asset of a plan’s over funded status or a liability for a plan’s under funded status, measure a plan’s assets and its obligations that determine its funded status as of the end of the employer’s fiscal year (with limited exceptions), and recognize changes in the funded status of a defined benefit postretirement plan in the year changes occur. The Company expects that adoption of SFAS 158 will have no impact on its financial condition or results of operations.

In September 2006, the FASB issued FSP No. AUG AIR-1, “*Accounting for Planned Major Maintenance Activities*”. The guidance in this FSP is applicable to entities in all industries. The FSP prohibits the use of the accrue-in-advance method of accounting for planned major maintenance activities in annual and interim financial reporting periods. The implementation of FSP No. AUG AIR-1, effective January 1, 2007, did not have a material impact on the Company’s consolidated financial statements.

In September 2006, The Emerging Issues Committee (“EIC”) issued Abstract No. 163, “*Determining the Variability to be Considered in Applying AcG-15*” (“EIC-163”). This guidance provides additional clarification on how to analyze and consolidate a variable interest entity (“VIE”). EIC-163 concludes that the “by-design” approach should be the method used to assess variability (that is created by risks the entity is designed to create and pass along to its interest holders) when applying the VIE standards. The “by-design” approach focuses on the substance of the risks created over the form of the relationship. The guidance may be applied to all entities (including newly created entities) with which an enterprise first becomes involved, and to all entities previously required to be analyzed under the VIE standards when a reconsideration event has occurred, effective January 1, 2007. The implementation of this guidance did not have a material impact on the Company’s consolidated financial statements.

In December 2006, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 1535, “*Capital*

Disclosures". This Section establishes standards for disclosing information about an entity's capital and how it is managed. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, and is not expected to have a material impact on the Company's consolidated financial statements.

In December 2006, the CICA issued Section 3863, "*Financial Instruments – Presentation*", to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This Section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This standard harmonizes disclosures with International Financial Reporting Standards. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, and is not expected to have a material impact on the Company's financial statements.

FSP FIN 48-1, "*Definition of Settlement in FASB Interpretation No. 48*", amends FASB interpretation No.48, Accounting for Uncertainty in Income tax, to provide guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The Interpretation also provides guidance on recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The provisions of FIN 48 are to be applied to all tax positions upon initial adoption, with the cumulative effect adjustment reported as an adjustment to the opening balance of retained earnings. The FSP is to be adopted upon initial adoption of FIN 48 with retroactive treatment if required.

The Company adopted FIN 48 – "*Accounting for Uncertainty in Income Tax*" on January 1, 2007, consistent with the provisions of the FSP, with no cumulative effect adjustment recorded at adoption. Accordingly, there is no impact on the Company's December 31, 2007 consolidated financial statements resulting from the adoption of FIN 48. FIN 48 requires that interest expense and penalties related to unrecognized tax benefits be recognized in the Statement of Operations. FIN 48 allows recognized interest and penalties to be classified as either income tax expense or another appropriate expense calculation. If the Company recognizes interest expense or penalties on future unrecognized tax benefits, they will be classified as income tax expense.

Effective January 1, 2007, the Company prospectively adopted the Canadian Institute of Chartered Accountant's ("CICA") Handbook Section 3855, "*Financial Instruments- Recognition and Measurement*"; Section 1530, "*Comprehensive Income*"; Section 3865, "*Hedges*" and Section 3861, "*Financial Instruments- Disclosure and Presentation*". These new Handbook sections provide comprehensive requirements for the recognition and measurement of financial instruments, and introduce a new component of equity referred to as accumulated other comprehensive income ("AOCI"). Under these new standards, all financial instruments, including derivatives, are recognized on the Company's Consolidated Balance Sheet. Derivatives are measured at fair value with unrealized gains and losses reported in net income. Short-term investments are measured at fair value with unrealized gains and losses reported in AOCI. The Company's other financial instruments (accounts receivable, accounts payable and accrued liabilities, and bank debt) are measured at fair value. No adjustments to the Company's consolidated financial statements were required upon transition to the new financial instruments.

Effective January 1, 2007, CICA HB Section 1530 – "*Comprehensive Income*", introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations. The implementation of this of this guidance did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2007, CICA HB Section 3865 – "*Hedges*", provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces

and expands on Accounting Guideline 13 “Hedging Relationships”, and the hedging guidance in Section 1650 “Foreign Currency Translation” by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The implementation of this of this guidance did not have a material impact on the Company’s consolidated financial statements.

In February 2007 the FASB issued SFAS No.159 - “*the Fair Value Option for Financial Assets and Financial Liabilities*” - including an amendment to FAS 115. This standard permits a company to choose to measure certain financial assets, financial liabilities and firm commitments at fair value. The standard is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact SFAS No.159 will have on its financial condition and results of operations.

In March 2007, the CICA issued Section 3862 “*Financial Instruments – Disclosures*”, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories. This standard harmonizes disclosures with International Financial Reporting Standards. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007 and is not expected to have a material impact on the Company’s financial statements.

In May 2007, the CICA published an updated version of its “*Implementation Plan for Incorporating International Financial Reporting Standards (“IFRS”) into Canadian GAAP*”. This plan includes an outline of the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian generally accepted accounting principles with IFRS. The changeover date from Canadian GAAP to IFRS is for annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011.

In June 2007, the CICA issued Section 3031, “*Inventories*”, which replaces Section 3030 and harmonizes the Canadian standard related to inventories with International Financial Reporting Standards. This Section provides more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, and is not expected to have a material impact on the Company’s consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), “*Business Combinations*”. The standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. The Company is currently reviewing the guidance, which is effective for fiscal years beginning after December 15, 2008, to determine the potential impact, if any, on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, “*Noncontrolling Interests in Consolidated Financial Statements*”. The standard requires all entities to report noncontrolling (minority) interests as equity in consolidated financial statements. SFAS No. 160 eliminates the diversity that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transactions. The Company is currently reviewing the guidance, which is effective for fiscal years beginning after December 15, 2008, to determine the potential impact, if any, on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, “*Disclosures about Derivative Instruments and Hedging Activities — An Amendment of FASB Statement No. 133*” (“SFAS 161”). SFAS 161 requires enhanced qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact of SFAS 161 on its consolidated financial statements.

Subsequent Events

On December 19, 2007, we announced proposed financing for a brokered private placement of units for gross proceeds of up to Cdn\$35.0 million.

On December 21, 2007 the first closing was completed. The first closing was completed for Cdn\$21.515 million by issuing 13,880,645 units at a price of Cdn\$1.55 per unit.

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\$2.00 per share until December 21, 2009. The securities are subject to a four-month hold period. Scotia Capital Inc. ("Scotia") acted as agent on the brokered private placement in Canada while Shoreline Pacific LLC acted in the U.S. (together the "Agents").

The Finders received a cash commission of 5% of the gross proceeds or \$1,075,781. The Finders also received agent's compensation options ("Agent's Options") equal to 5% of the aggregate number of units sold pursuant to the offering. Each Agent's Option upon exercise will entitle the holder to acquire one unit at an exercise price of Cdn\$1.70 per unit until December 21, 2009. The fair value of the agent options was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield – Nil; risk free interest rate – 3.85%; expected volatility of 58.79% and an expected life of 24 months. The fair value calculated to be \$365,934 was recorded with a corresponding entry to contributed surplus. A total of 13,880,645 common shares have been issued pursuant to the final closing of the private placement, and 6,940,322 common shares will be reserved for issuance on the exercise of the warrants and the 694,032 units for exercise of the Agent's Options.

Subsequent to year end on January 29, 2008, the second closing was completed. The second closing was completed for Cdn\$12.079 million by issuing 7,778,023 units at a price of Cdn\$1.55 per unit.

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\$2.00 per share until December 21, 2009. The securities are subject to a four-month hold period. Scotia Capital Inc. ("Scotia") acted as agent on the brokered private placement in Canada while Shoreline Pacific LLC acted in the U.S. (together the "Agents"). The non-brokered private placement was completed with Canaccord Capital Corporation ("Finders").

The Agents and Finders received a 5% commission. The Agents and Finders also received Agent's compensation options ("Agent's Options") equal to 5% of the aggregate number of units sold pursuant to the offering. Each Agent's Option upon exercise will entitle the holder to acquire one unit at an exercise price of Cdn\$1.70 per unit until December 21, 2009. A total of 7,778,023 common shares have been issued pursuant to the second closing of the private placement, and 3,896,511 common shares will be reserved for issuance on exercise of the warrants and 389,651 units for issuance on the exercise of the Agent's Options.

The third and final closing of the private placement was completed on February 11, 2008 and sold 427,000 units at a price of Cdn\$1.55 per unit for gross proceeds of Cdn\$661,850. The final closing was non brokered private placement. 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\$2.00 per share until December 21, 2009. The securities are subject to a four month hold period. The non-brokered private placement was completed with Canaccord Capital Corporation ("Finders").

The Finders received a cash commission of 5% of the gross proceeds. The Finders also received agent's compensation options ("Agent's Options") equal to 5% of the aggregate number of units sold pursuant to the offering. Each Agent's Option upon exercise will entitle the holder to acquire one unit at an exercise price of Cdn\$1.70 per unit until December 21, 2009. A total of 427,000 common shares have been issued pursuant to the final closing of the private placement, and 213,500 common shares will be reserved for issuance on the exercise of the warrants and the 21,350 units for exercise of the Agent's Options.

Subsequent to year end, the San Jose Project has begun production. During the fiscal year, the expenses related to the construction of the operations and related interest expense on the debt has been capitalized as the plant had not been placed in mine operations. In 2008, expenses related to the operations of the plant and the interest expense will be expensed as incurred.

On February 14, 2008, 100,000 stock options were granted to an employee at a share price of Cdn\$1.35. The options will vest every six months from the February 14, 2008 grant date to February 14, 2010.

Report of Independent Registered Public Accounting Firm

To the Shareholders of Minera Andes Inc.:

We have completed an integrated audit of the consolidated financial statements and internal control over financial reporting of Minera Andes Inc. (an exploration stage corporation) as of December 31, 2007 and 2006. Our opinions, based on our audits, are presented below.

Consolidated financial statements

We have audited the consolidated balance sheets of Minera Andes Inc. (an exploration stage corporation) as at December 31, 2007 and 2006 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 (inception) through December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 the audit to obtain reasonable assurance about 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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended and for the period from July 1, 1994 (inception) through December 31, 2007 in accordance with Canadian generally accepted accounting principles.

Internal control over financial reporting

We have also audited Minera Andes Inc.'s (an exploration stage corporation) internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control – Integrated Framework* issued

by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Minera Andes Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations or management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and are included in Management's Report on Internal Control Over Financial Reporting: The Company's accounting staff do not have sufficient technical accounting and financial reporting expertise as it relates to specific and complex areas within income tax and United States generally accepted accounting principles. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2007 consolidated financial statements, and this report does not

affect our report dated March 26, 2008, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, because of the effect of the aforementioned material weaknesses on the achievement of the objectives of the control criteria, the Company has not maintained in all material respects effective internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ BDO Dunwoody LLP
Chartered Accountants
Vancouver, B.C. Canada
March 26, 2008

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 doubt on the Company's ability to continue as a going concern such as those described in Note 1 of the consolidated financial statements. Our report to the shareholders dated March 26, 2008, 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
Chartered Accountants
Vancouver, B.C. Canada
March 26, 2008

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

	December 31, 2007	December 31, 2006
Current:		
Cash and cash equivalents (Note 3)	\$ 23,101,135	\$ 2,244,621
Receivables and prepaid expenses	340,674	268,550
Current project loan receivable (Note 4 (b))	6,860,000	--
Project loan interest receivable	2,357,753	48,330
Total current assets	32,659,562	2,561,501
Mineral properties and deferred exploration costs (Note 4)	8,337,881	5,605,148
Project loan receivable (Note 4 (b))	24,990,000	9,800,000
Investment in Minera Santa Cruz (Note 4 (b))	64,726,565	30,963,692
Equipment, net (Note 5)	40,931	56,212
Total assets	\$ 130,754,939	\$ 48,986,553

LIABILITIES

Current:		
Accounts payable and accruals	\$ 2,886,550	\$ 893,880
Current project loan payable (Note 4 (b))	6,860,000	--
Project loan interest payable	2,357,753	48,330
Related party payable (Note 9 (h))	16,905,000	--
Total current liabilities	29,009,303	942,210
Bank Loan (Note 6)	14,591,830	--
Project loan payable (Note 4 (b))	24,990,000	9,800,000
Asset retirement obligation	90,000	45,000
Total liabilities	68,681,133	10,787,210
Commitments and contingencies (Notes 1, 4 and 9)		

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, 2007—180,974,912 shares	88,512,349	63,642,152
Issued December 31, 2006—156,539,415 shares		
Contributed surplus – (Notes 2 and 8)	16,007,350	8,440,457
Deficit accumulated during exploration stage	(42,445,893)	(33,883,266)
Total shareholders' equity	62,073,806	38,199,343
Total liabilities and shareholders' equity	\$ 130,754,939	\$ 48,986,553

Approved by the Board of Directors:

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

/s/ Allan J. Marter
Allan J. Marter, 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)

	Year Ended		Period from
	December 31,	December 31,	July 1, 1994
	2007	2006	(inception)
			through
			December 31, 2007
Consulting fees (Note 7 (c))	\$ 426,742	\$ 1,766,655	\$ 4,755,373
Depreciation	8,200	9,157	105,247
Equipment rental	--	--	21,522
Insurance	149,049	75,987	616,920
Legal, audit and accounting fees	812,699	619,729	3,210,858
Materials, supplies and maintenance	--	--	49,260
Office overhead and administration fees	499,228	382,595	3,578,604
Telephone	36,769	34,169	523,861
Transfer agent	22,219	19,728	180,881
Travel	144,437	79,491	770,422
Wages and benefits (Note 7 (c))	736,764	4,064,959	7,717,709
Expenses before under-noted	2,836,107	7,052,470	21,530,657
Finance costs	--	688,712	688,712
Foreign exchange (gain) loss	(699,459)	76,602	(443,929)
Gain on sale of equipment	--	(641)	(112,971)
Gain on sale of mineral property	--	--	(898,241)
Interest income	(225,810)	(193,804)	(1,018,722)
Interest expense	240,130	--	240,130
Loss on equity investment (Note 4 (b))	4,665,885	1,436,468	7,877,099
Project loan interest expense	2,309,423	48,330	2,357,753
Project loan interest income	(2,309,423)	(48,330)	(2,357,753)
Write-off of mineral properties and deferred exploration costs (Note 4 (c), (d))	1,378,284	1,712,633	11,631,152
Net loss for the period	8,195,137	10,772,440	39,493,887
Adjustment for change in accounting for stock-based compensation (Note 2 (l))	--	--	678,569
Accumulated deficit, beginning of period	33,883,266	22,935,359	40,172,456
Adjustment on acquisition of royalty interest	--	--	500,000
Share issue costs (Note 2 (g))	74,111	175,467	1,462,843
Incentive warrant payment (Note 7(iii))	293,379	--	293,379
Deficiency on acquisition of subsidiary	--	--	17,215
Deficit accumulated during exploration stage, end of the period	\$ 42,445,893	\$ 33,883,266	\$ 42,445,892
Basic and diluted loss per common share	\$ 0.05	\$ 0.08	
Weighted average shares outstanding	164,712,170	141,501,804	

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)

	Year Ended		Period from July 1, 1994 (inception) through December 31, 2007
	December 31, 2007	December 31, 2006	
Administration fees	\$ --	\$ --	\$ 392,837
Assays and analytical	63,723	79,624	1,300,388
Asset retirement obligation	45,000	45,000	90,000
Construction and trenching	187,109	36,265	757,657
Consulting fees	158,709	163,333	1,643,991
Depreciation	28,345	23,340	273,919
Drilling	1,283,643	850,803	3,723,839
Equipment rental	555,667	240,597	1,301,516
Geology	757,041	504,832	5,328,861
Geophysics	--	--	374,960
Insurance	3,687	2,951	264,050
Legal	183,676	125,012	1,139,160
Maintenance	16,472	5,245	209,671
Materials and supplies	193,559	82,572	793,071
Project overhead	210,002	99,946	749,483
Property and mineral rights	45,921	221,334	1,721,338
Telephone	37,597	31,447	203,963
Travel	268,130	215,540	1,804,361
Wages and benefits	72,736	119,766	1,619,710
Costs incurred during the period	4,111,017	2,847,607	23,692,775
Deferred costs, beginning of the period	5,605,148	4,470,174	--
Deferred costs, acquired	--	--	576,139
Deferred costs, contributed to MSC	--	--	(2,320,980)
Deferred costs written off	(1,378,284)	(1,712,633)	(11,631,152)
Mineral property option proceeds, net	--	--	(1,978,901)
Deferred costs, end of the period	\$ 8,337,881	\$ 5,605,148	\$ 8,337,881

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)

	Year Ended		Period from
	December 31,	December 31,	July 1, 1994
	2007	2006	(inception)
			through
			December 31, 2007
Operating Activities:			
Net loss for the period	\$ (8,195,137)	\$ (10,772,440)	\$ (39,493,887)
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	1,378,284	1,712,633	11,631,152
Finance costs	--	688,712	688,712
Loss on equity investment	4,665,885	1,436,468	7,877,099
Depreciation	8,200	9,157	105,247
Stock option compensation (Note 7(c))	40,000	5,069,887	6,557,888
Gain on sale of equipment	--	(641)	(112,971)
Gain on sale of mineral properties	--	--	(898,241)
Project loan interest expense	2,309,423	48,330	2,357,753
Project loan interest income	(2,309,423)	(48,330)	(2,357,753)
Change in:			
Receivables and prepaid expenses	(72,124)	(172,773)	(340,674)
Accounts payable and accruals	1,520,585	239,841	2,020,232
Cash used in operating activities	(654,307)	(1,789,156)	(11,964,778)
Investing Activities:			
Incorporation costs	--	--	(665)
Purchase of equipment	(21,265)	(24,071)	(350,948)
Proceeds from sale of equipment	--	815	15,040
Proceeds from sale of property	--	--	898,241
Mineral properties and deferred exploration	(3,580,453)	(2,777,701)	(22,870,071)
Investment in Minera Santa Cruz	(37,680,628)	(14,128,624)	(69,246,257)

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

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

	Year Ended		Period from
	December 31,	December 31,	July 1, 1994
	2007	2006	(inception)
			through
			December 31, 2007
Investing Activities- continued:			
Changes in due to related party	16,905,000	--	16,905,000
Proceeds from sale of subsidiaries	--	--	9,398
Acquisition of royalty interest	--	--	(500,000)
Mineral property option proceeds	--	--	2,778,901
Cash used in investing activities	(24,377,346)	(16,929,581)	(72,361,361)
Financing Activities:			
Shares and subscriptions issued for cash, less issue costs	28,373,300	21,732,863	89,996,471
Bank loan proceeds received	17,500,000	--	21,500,000
Repayment of bank loan	--	(4,000,000)	(4,000,000)
Bank loan interest payable	14,867	(84,064)	(69,197)
Project loan receivable	(22,050,000)	(9,800,000)	(31,850,000)
Project loan payable	22,050,000	9,800,000	31,850,000
Cash provided by financing activities	45,888,167	17,648,799	107,427,274
Increase (decrease) in cash and cash equivalents	20,856,514	(1,069,938)	23,101,135
Cash and cash equivalents, beginning of period	2,244,621	3,314,559	--
Cash and cash equivalents, end of period	\$ 23,101,135	\$ 2,244,621	\$ 23,101,135

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

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

	Year Ended		Period from
	December 31	December 31,	July 1, 1994
	2007	2006	(inception)
			through
			December 31, 2007
Supplemental disclosure cash flow information:			
Capitalized interest paid	\$ (590,603)	\$ (152,577)	\$ (911,588)
Non-cash investing and financing activities and other information:			
Stock option compensation (Note 7)	\$ 40,000	\$ 5,069,887	\$ 6,557,888
Capitalized accreted interest expense (Note 6)	\$ 748,130	\$ 371,365	\$ 1,550,503
Depreciation capitalized to mineral properties	\$ 28,345	\$ 23,340	\$ 287,073
Asset retirement obligation	\$ 45,000	\$ 45,000	\$ 90,000
Accrual for finance costs related to MSC	\$ --	\$ 394,233	\$ 394,233
Adjustment for change in accounting for stock-based compensation (Note 2 (l))	\$ --	\$ --	\$ 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)

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

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, 2007, we were in the exploration stage, had interests in properties in three provinces in the Republic of Argentina, and began production in the fourth quarter of 2007 at the San José project in Santa Cruz province, southern Argentina. We have a 49% interest in the project and it is operated by our operating partner, Hochschild Mining plc (“Hochschild”) (HOC.L Reuters, HOC.LN Bloomberg, London Stock Exchange).

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 (“Canadian GAAP”) applicable to a going concern. The use of such principles may not be appropriate because, as of December 31, 2007, there was doubt that we would be able to continue as a going concern.

At December 31, 2007, we had a deficit accumulated during exploration stage of approximately \$42.4 million. In addition, due to the nature of the mining business, the acquisition, exploration and development of mineral properties require significant expenditures prior to the commencement of production. To date, we have financed our activities through the issuance of equity securities, debt financing, 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 7).

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 all its wholly-owned subsidiaries including its principal subsidiaries, Minera Andes S.A. (“MASA”) and Minera Andes (USA) Inc. (“MUSA”) as well as other non-significant subsidiaries.

The Company’s accounting policies are in accordance with Canadian generally accepted accounting principles (GAAP) and are consistent with the accounting principles generally accepted in the United States in all material respects except as outlined in Note 13.

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 earnings and losses of MSC. All significant intercompany transactions and balances have been eliminated from the consolidated financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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 except for amortization, which is translated at the historical exchange rate of the corresponding non-monetary assets. 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 equivalents with institutions of high credit worthiness.

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 is first credited against the carrying value of the property, with any excess included in operations for the period. Where the Company enters into an option agreement for the acquisition of an interest in mining properties which provides for periodic payments, such amounts are payable entirely at the Company's option. 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. For the year ended December 31, 2007, based on management's assessment of the future recoverability of certain mineral properties and deferred exploration costs, \$1,378,284 (2006 – \$1,712,633) were written off.

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. For the years ended December 31, 2007 and 2006, no impairment write-down of investment was required.

f. Equipment and Depreciation

Equipment is recorded at cost, and depreciation is provided on a declining-balance basis over estimated useful lives of up to five years to a residual value of 10%.

g. Share Issue Costs

Commissions paid to underwriters and agents on the issuance of our shares are charged directly to share capital. Other share issue costs, such as accounting, legal, auditing and printing costs, are charged to accumulated deficit.

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

h. Accounting for Income Taxes

Income taxes are calculated using the asset and 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 to the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, a valuation allowance will be applied.

i. Basic and Diluted Loss Per Common Share

Basic loss per share is calculated by dividing net loss applicable to common shareholders by the weighted-average number of common shares outstanding for the year.

For the years ended December 31, 2007 and 2006, potentially dilutive common shares (relating to options and warrants outstanding at year end) totaling 29,554,140 (2006 – 22,982,892) were not included in the computation of loss per share because their effect was anti-dilutive. Therefore, diluted loss per share is the same as basic loss per share.

j. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles of Canada requires management to make estimates based on information available at the time, and assumptions that affect the reported amount of assets, particularly the recoverability of mineral properties and deferred exploration expenses, investment, and long-lived assets, variable interest entities (“VIE”), asset retirement obligation, stock-based compensation, income taxes, 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

Financial instruments include cash and cash equivalents, receivables, project loan and interest receivables, accounts payable and accruals, project loan payable, bank loan, related party payable and interest payable. Unless otherwise noted, fair values approximate carrying values for these financial instruments due to the short term nature of the instruments. The fair value of the loan and interest receivable, project loan and interest payable, approximate carrying value because the stated interest rates reflect recent market conditions or because the rates are variable in nature. Unless otherwise stated, it is management’s opinion that the Company is not exposed to significant interest or credit risk from these financial instruments. The Company through its subsidiary, MASA, is operating in Argentina which may give rise to foreign currency risks from fluctuations and the degree of volatility of exchange rates between the United States Dollar and the Argentina Peso.

l. Stock-Based Compensation

The Company has a stock option plan as described in Note 7. The fair value method is used to determine the expense for stock-based awards granted to employees and non-employees. Under the fair value method, compensation cost is measured at fair value at the date of grant using the Black-Scholes option pricing model with assumptions described in Note 7. The compensation cost is expensed over the vesting period with a corresponding credit to contributed surplus. Consideration paid on the exercise of stock options plus the amount of previously recognized expense is credited to share capital when the options are exercised.

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

l. Stock-Based Compensation - continued

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 are 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 basis as the related asset and the discounted accretion of the liability is included in determining the results of operations. Although the timing and the amount of the actual expenditures are uncertain, the Company has estimated the present value of the future reclamation obligation arising from its activities to December 31, 2007 to be \$90,000. The present value of the future reclamation obligation assumes a discount rate of 0% due to the uncertainty regarding timing of completion of the reclamation activities.

n. Long-lived asset impairment

Long-lived assets, including mineral properties and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount and the fair value.

o. Changes in accounting policies

Financial Instruments

Effective January 1, 2007, the Company prospectively adopted the Canadian Institute of Chartered Accountant’s (“CICA”) Handbook Section 3855, Financial Instruments- Recognition and Measurement; Section 1530, Comprehensive Income; Section 3865, Hedges and Section 3861, Financial Instruments- Disclosure and Presentation. The CICA Handbook section 3865 Hedges is also effective January 1, 2007, however, the Company has no hedges in place at this time. These new Handbook sections provide comprehensive requirements for the recognition and measurement of financial instruments, and introduce a new component of equity referred to as accumulated other comprehensive income (“AOCI”). Under these new standards, all financial instruments, including

MINERA ANDES INC.
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2. SIGNIFICANT ACCOUNTING POLICIES - continued

o. Changes in accounting policies -continued

Financial Instruments- continued

derivatives, are recognized on the Company's Consolidated Balance Sheet. Derivatives are measured at fair value with unrealized gains and losses reported in net income. Short-term investments are measured at fair value with unrealized gains and losses reported in AOCI. The Company's other financial instruments (accounts receivable, accounts payable and accrued liabilities, and bank loan) are measured at fair value initially and then the costs are amortized in net income. No adjustments to the Company's consolidated financial statements were required upon transition to the new financial instruments

Comprehensive income (loss)

Section 1530 introduces a new requirement to present certain temporary gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations. The implementation of this guidance did not have a material impact on the Company's consolidated financial statements.

Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 “Hedging Relationships”, and the hedging guidance in Section 1650 “Foreign Currency Translation” by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The implementation of this guidance did not have a material impact on the Company's consolidated financial statements.

p. Recent accounting pronouncements

Determining the Variability to be Considered in Applying the Variable Interest Entity Standards

In September 2006, The Emerging Issues Committee issued Abstract No. 163, “Determining the Variability to be Considered in Applying AcG-15” (“EIC-163”). This guidance provides additional clarification on how to analyze and consolidate a variable interest entity (“VIE”). EIC-163 concludes that the “by-design” approach should be the method used to assess variability (that is created by risks the entity is designed to create and pass along to its interest holders) when applying the VIE standards. The “by-design” approach focuses on the substance of the risks created over the form of the relationship. The guidance may be applied to all entities (including newly created entities) with which an enterprise first becomes involved, and to all entities previously required to be analyzed under the VIE standards when a reconsideration event has occurred, effective January 1, 2007. The implementation of this guidance did not have a material impact on the Company's consolidated financial statements.

MINERA ANDES INC.
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(U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES - continued

p. Recent accounting pronouncements -continued

Capital Disclosures

In December 2006, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 1535, “Capital Disclosures”. This Section establishes standards for disclosing information about an entity’s capital and how it is managed. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, and is not expected to have a material impact on the Company’s consolidated financial statements.

Financial Instruments

In December 2006, the CICA issued Section 3863, “Financial Instruments – Presentation”, to enhance financial statement users’ understanding of the significance of financial instruments to an entity’s financial position, performance and cash flows. This Section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This standard harmonizes disclosures with International Financial Reporting Standards. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, and is not expected to have a material impact on the Company’s financial statements.

In March 2007, the CICA issued Section 3862 “Financial Instruments – Disclosures”, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories. This standard harmonizes disclosures with International Financial Reporting Standards. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007 and is not expected to have a material impact on the Company’s financial statements.

Inventories

In June 2007, the CICA issued Section 3031, “Inventories”, which replaces Section 3030 and harmonizes the Canadian standard related to inventories with International Financial Reporting Standards. This Section provides more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, and is not expected to have a material impact on the Company’s consolidated financial statements.

International Financial Reporting Standards

In May 2007, the CICA published an updated version of its “Implementation Plan for Incorporating International Financial Reporting Standards (“IFRS”) into Canadian GAAP”. This plan includes an outline of the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian generally accepted accounting principles with IFRS. The changeover date from Canadian GAAP to IFRS is for annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011.

MINERA ANDES INC.
“An Exploration Stage Corporation”
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following in U.S. Dollars:

	2007	2006
Cash on hand – U.S. dollar denominated bank accounts	\$ 18,026,454	\$ 39,317
Cash on hand– Canadian dollar denominated bank account	4,662,456	2,171,293
Cash on hand – Argentina Peso denominated bank accounts	412,225	34,011
	\$ 23,101,135	\$ 2,244,621

4. MINERAL PROPERTIES, DEFERRED EXPLORATION COSTS AND INVESTMENT IN MINERA SANTA CRUZ

At December 31, 2007, we, through our subsidiaries and investment, hold interests in a total of approximately 304,221 acres (123,133 hectares (“ha”)) 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 royalty agreements as disclosed in Note 9. Mineral property costs and deferred exploration costs, net of mineral property option proceeds, are as follows: See proceeding pages.

MINERA ANDES INC.
“An Exploration Stage Corporation”
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2007 COSTS BY PROPERTY

Description	San Juan Cateos	Santa Cruz Cateos	Chubut Cateos	General Exploration	Total
Balance, beginning of year	\$ 3,118,093	\$ 2,234,259	\$ 252,796	\$ --	\$ 5,605,148
Assays and analytical	55,567	8,156	--	--	63,723
Asset retirement obligation	35,000	10,000	--	--	45,000
Construction and trenching	146,528	40,581	--	--	187,109
Consulting fees	933	13,224	3,025	141,527	158,709
Depreciation	--	--	--	28,345	28,345
Drilling	1,088,606	195,037	--	--	1,283,643
Equipment Rental	496,901	58,683	--	83	555,667
Geology	551,055	172,931	2,360	30,695	757,041
Insurance	--	--	--	3,687	3,687
Legal	1,120	--	--	182,556	183,676
Maintenance	5,022	1,563	--	9,887	16,472
Materials and supplies	149,566	28,029	--	15,964	193,559
Project overhead	34,829	7,004	129	168,040	210,002
Property and mineral rights	13,887	31,700	334	--	45,921
Telephone	3,336	14,417	--	19,844	37,597
Travel	192,283	27,499	--	48,348	268,130
Wages and benefits	12,134	6,066	--	54,536	72,736
Overhead allocation	471,084	230,075	2,353	(703,512)	--
Write-off of deferred costs	--	(1,127,287)	(250,997)	--	(1,378,284)
Balance, end of year	\$ 6,375,944	\$ 1,951,937	\$ 10,000	\$ --	\$ 8,337,881

MINERA ANDES INC.
“An Exploration Stage Corporation”
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2006 COSTS BY PROPERTY

Description	San Juan Cateos	Santa Cruz Cateos	Chubut Cateos	General Exploration	Total
Balance, beginning of year	\$ 1,149,286	\$ 3,099,502	\$ 221,386	\$ --	\$ 4,470,174
Assays and analytical	44,649	30,380	1,363	3,232	79,624
Asset retirement obligation	35,000	10,000	--	--	45,000
Construction and trenching	36,265	--	--	--	36,265
Consulting fees	8,930	28,537	11,326	114,540	163,333
Depreciation	--	--	--	23,340	23,340
Drilling	507,081	343,722	--	--	850,803
Equipment Rental	161,817	78,780	--	--	240,597
Geology	352,226	100,432	3,464	48,710	504,832
Insurance	--	--	--	2,951	2,951
Legal	2,821	--	--	122,191	125,012
Maintenance	4,051	390	--	804	5,245
Materials and supplies	46,286	20,984	4,326	10,976	82,572
Project overhead	10,130	1,408	2,213	86,195	99,946
Property and mineral rights	192,501	26,367	2,466	--	221,334
Telephone	3,910	4,268	22	23,247	31,447
Travel	135,765	24,813	467	54,495	215,540
Wages and benefits	23,319	8,824	--	87,623	119,766
Overhead allocation	404,056	168,485	5,763	(578,304)	--
Write-off of deferred costs	--	(1,712,633)	--	--	(1,712,633)
Balance, end of year	\$ 3,118,093	\$ 2,234,259	\$ 252,796	\$ --	\$ 5,605,148

MINERA ANDES INC.
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4. MINERAL PROPERTIES, DEFERRED EXPLORATION COSTS AND INVESTMENT IN MINERA SANTA CRUZ - continued

a. San Juan Project

The San Juan Province project comprises four properties totaling 48,547 ha (2006 – 35,856 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 2008 are estimated at \$6,600.

Expenditures in 2007, as in 2006, were primarily for an exploration program at the Los Azules project. In November 2007, Minera Andes signed a definitive Option Agreement over the Los Azules porphyry copper project with Xstrata Copper (“Xstrata”). Xstrata and Minera Andes own separate, adjoining properties that straddle a large copper porphyry system. The letter of intent consolidates these properties and gives us a right to earn a 100% interest in Xstrata’s property by spending at least \$1.0 million on the property over the next four years, making payments to keep the property in good standing and producing a preliminary economic assessment (to National Instrument (“NI”) 43-101 standards). If the preliminary assessment shows the project to be potentially economically viable and can be expected to produce 100,000 tonnes of copper per year for 10 years then Xstrata Copper will have a one time back-in right to earn a 51% interest in the combined properties by making a cash payment to Minera Andes of three times its expenditures on the property, completing a bankable feasibility study within five years and assuming underlying property commitments. In the event that the preliminary assessment does not meet the size criterion contemplated above, Xstrata Copper would retain a first right of refusal on any subsequent sale of the property.

b. Investment in Minera Santa Cruz – the San José Project

The investment in Minera Santa Cruz S.A. (“MSC”) is comprised of the following:

	2007	2006
Investment in MSC, beginning of year	\$ 30,963,692	\$ 17,505,938
Plus:		
Deferred costs incurred	2,217,758	1,272,222
Advances during the year	36,211,000	13,622,000
Loss from equity investment (i)	(4,665,885)	(1,436,468)
Investment in MSC, end of year	\$ 64,726,565	\$ 30,963,692

(i) Loss from equity investment is the Company’s 49% share in the loss from operations in MSC.

The San José 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 MSC a holding and operating company set up under the terms of an agreement with Hochschild (formerly Mauricio Hochschild & Cia. Ltda. (“MHC”) through October 2006). Any production from these lands may be subject to a provincial royalty.

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.

MINERA ANDES INC.
“An Exploration Stage Corporation”
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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4. MINERAL PROPERTIES, DEFERRED EXPLORATION COSTS AND INVESTMENT IN MINERA SANTA CRUZ - continued

On March 15, 2001, Minera Andes 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 José), 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. In addition, MHC was to make semiannual payments totaling \$400,000 per year until pilot plant production was achieved. In September 2004, an amendment to the agreement stated such payments should be made until a positive feasibility study for the development of a mine on the property was obtained by MSC and the board of MSC made a decision to construct the mine. In October 2005, MSC completed a positive feasibility study for the development of a mine on the property and in December 2005, the board of MSC made a decision to construct the mine such that the semiannual payments totaling \$400,000 per year are no longer payable by MHC.

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

In the fourth quarter of 2003, Minera Andes notified MHC of our intent to subscribe for additional equity in MSC, so as to maintain a 49% interest. Minera Andes made investments of \$16.9 million, (payments of \$13.6 million and \$11.3 million) in 2007, 2006 and 2005, respectively, to fund our 49% interest in the project. The \$16.9 million was paid subsequent to year end.

Expenditures in 2005 consisted of drilling, detailed topographic surveys, detailed mapping and sampling, and development work. Development work included completion of the shafts and additional work related to pre-feasibility and feasibility studies. Expenditures in 2007 and 2006 were primarily for construction of the mine plus a 28,000 and 20,000-meter drilling programs to increase reserves, respectively.

During 2006, the project loan with Standard Bank Plc. and Bayerische Hypo-und Vereinsbank AG to fund the San José project was terminated and a new facility was structured with Macquarie Bank Limited (“Macquarie”) in February 2006. Minera Andes agreed to pay break fees of \$572,000 of which \$200,000 had been paid and the balance accrued as at December 31, 2006.

In October 2006, Minera Andes signed a letter of intent to provide project financing with an affiliate of Hochschild and to terminate the Macquarie project financing offered in February 2006 and the \$20 million Macquarie bridge loan offered in August 2006 subject to a successful public offer by Hochschild. Hochschild agreed to pay the break fees to Standard Bank Plc. and other costs related to the Macquarie financing. In November 2006, Hochschild successfully completed a public offering on the London Stock Exchange.

The Hochschild financing includes a binding \$20 million bridge loan with MSC, which will be replaced, as soon as reasonably practical, with a permanent financing of \$65 million or such higher amount as agreed to by Minera Andes and Hochschild. The project financing will be made substantially on the same terms as the Macquarie financing except that:

- (a) MSC will not be required to hedge any of its production.

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4. MINERAL PROPERTIES, DEFERRED EXPLORATION COSTS AND INVESTMENT IN MINERA SANTA CRUZ – continued

- (b) The project financing will be unsecured, except for a security interest in certain collection and escrow accounts and the funds deposited and the rights to the funds deposited. The shareholders of MSC will not be required to pledge their shares in MSC as security for the loans to MSC.
- (c) Events of default will basically be limited to events outside the control of Hochschild and MSC.
- (d) Future project expansions will be financed from cash flow from the project.

Under terms of the financing, a subsidiary of Hochschild will lend 51% of the bridge loan and permanent financing directly to MSC and 49% of the loan will be lent to Minera Andes which in turn will lend the funds to MSC. The interest rate of the bridge loan is LIBOR plus 2.5%. Final documentation for the permanent financing has not been completed, but the terms include, amongst other items, an interest rate of LIBOR plus 2.85% and a minimum term of three years. Repayment of the loan payable is contingent on the operating cash flows of MSC.

As at December 31, 2006, the \$20 million bridge loan had been lent to MSC. The Company's 49% share of the \$20 million bridge loan is \$9.8 million. Therefore, the Company has recorded the note payable to Hochschild along with a note receivable from MSC for the same amount.

As at December 31, 2007, the \$20 million bridge loan plus \$45 million in advances on the permanent financing, a total of \$65 million, had been lent on the project. The Company's 49% share of the project was \$31.8 million.

The future minimum payments for the next three years are:

2008	\$	6,860,000
2009		17,150,000
2010		7,840,000
	\$	<u>31,850,000</u>

c. Chubut Projects

We hold 1 (2006 – 1) manifestation of discovery in the Precordilleran region of Chubut, totaling 1,480 ha (2006 – 1,480 ha). Expenditures in 2007 and 2006 relate primarily to land maintenance costs. As at December 31, 2007, based on management's assessment of the future recoverability of certain mineral properties and deferred exploration costs, \$250,997 (2006 – \$nil) were written-off.

d. Santa Cruz Projects

We currently control 15 (2006 – 15) cateos and 29 (2006 – 40) manifestations of discovery totaling 73,195 ha (2006 – 102,789 ha) in the Santa Cruz province. Land holding costs for 2008 are estimated at \$3,600. 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 2007 relate to land acquisition and reconnaissance geologic surveys on the acquired properties. Geologic evaluation of these targets is ongoing. As at December 31, 2007, based on management's assessment of the future recoverability of certain mineral properties and deferred exploration costs, \$1,127,287 (2006 – \$1,712,633) were written-off.

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5. EQUIPMENT

	December 31, 2007			December 31, 2006		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Field Equipment	\$100,952	\$88,099	\$12,853	\$94,309	\$70,791	\$23,518
Office Equipment	120,320	92,242	28,078	105,698	73,004	32,694
Total	\$221,272	\$180,341	\$40,931	\$200,007	\$143,795	\$56,212

6. BANK LOAN

In December 2004, we secured a two-year loan facility of up to \$4 million from Macquarie Bank Ltd. (“Macquarie”). All amounts advanced were due in December 2006. This facility was 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 José project.

The commercial terms of the first two tranches 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. In addition, as further explained below, we issued share purchase warrants for each tranche. The warrants exercise price was calculated at a 20% 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 MASA, our 49% interest in MSC, and personal property.

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 connection with the first tranche, we issued share purchase warrants to acquire 2,738,700 of our common stock at an exercise price of Cdn \$0.91 per share. 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 is being 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 began in January 2005.

In July 2005, we received the second tranche of \$2,000,000. For the second tranche, 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 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 – 3.99%; 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 capital. Total debt discount for both tranches was \$610,000.

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6. BANK LOAN - continued

In March 2006, Macquarie exercised its warrants from the second tranche to acquire 3,987,742 of our Common Shares at an exercise price of Cdn \$0.62 per share for proceeds of Cdn\$2,472,400 (\$ 2,060,333). We used part of the proceeds to repay principal and interest outstanding in the amount of \$2,000,000 and \$18,926, respectively, related to the second tranche.

In December 2006, Macquarie exercised its warrants from the first tranche to acquire 2,738,700 of our Common Shares at an exercise price of Cdn \$0.91 per share for proceeds of Cdn\$2,492,217 (\$ 2,171,299). We used part of the proceeds to repay the principal balance of the loan and interest outstanding in the amounts of \$2,000,000 and \$9,021, respectively, related to the first tranche.

The debt discount was accreted and capitalized to our investment in MSC (Note 4) over the term of the debt using the effective interest rate method.

In March 2007, we received a third tranche of \$7,500,000 from Macquarie of which \$5,880,000 was for the development of the San José project and \$1,620,000 was for general purposes. The commercial terms of this debt include a facility fee of 1.5% of the principal amount, interest of LIBOR plus 2% p.a., currently totaling approximately 7.36% p.a., and a two-year loan term. In addition, Minera Andes provided share purchase warrants to acquire 4,227,669 Common Shares of Minera Andes at an exercise price of Cdn\$2.06 per share. The warrant exercise price was calculated at a 25% premium to the volume weighted average of Minera Andes' common stock determined from the twenty business days prior to February 21, 2007. Each warrant is to be exercisable for two years. 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 – 3.87%; expected volatility of 59.18% and an expected life of 24 months. The difference between the allocated fair value and the face value of the debt of \$1,731,100 was initially recorded as a debt discount with a corresponding entry to contributed surplus. A success fee of \$75,000, being 1% of the principal amount of the facility, was paid to Xystus Limited for assisting with the structuring and negotiation of the loan facility.

In October 2007, we received a fourth tranche of \$10,000,000 from Macquarie bank of which \$8,526,000 was for the development of the San José project and \$1,474,000 was for general purposes. The commercial terms of the fourth tranche include a facility fee of 1.5% of the principal amount, interest of LIBOR plus 2.75% p.a. and mature on September 30, 2009. In addition, Minera Andes provided share purchase warrants to acquire 4,066,390 Common Shares of Minera Andes at an exercise price of Cdn\$2.41 per share. The warrant exercise price was calculated at a 20% premium to the volume weighted average of Minera Andes' common stock determined from the twenty business days prior to October 22, 2007. Each warrant is to be exercisable for two years. 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 – 4.12%; expected volatility of 62.35% and an expected life of 24 months. The difference between the allocated fair value and the face value of the debt of \$1,925,200 was initially recorded as a debt discount with a corresponding entry to contributed surplus. The warrants and the underlying common shares will have a hold period until February 25, 2008. A success fee of \$100,000, being 1% of the principal amount of the facility, was paid to Xystus Limited for assisting with the structuring and negotiation of the loan facility.

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6. BANK LOAN - continued

The bank loan and debt discount are summarized as follows:

	Face Amount	Discount	Carrying Value
Bank loan, initial and second tranche, being the balance at December 31, 2005	\$ 4,000,000	\$ 371,365	\$ 3,628,635
Accretion of debt discount	--	(371,365)	371,365
Repayment of bank loan	(4,000,000)	--	(4,000,000)
Bank loan at December 31, 2006	\$ --	\$ --	\$ --
Issuance of Bank loan, third and fourth tranche	\$ 17,500,000	\$ 3,656,300	\$ 13,843,700
Accretion of debt discount	--	(748,130)	748,130
Repayment of bank loan	--	--	--
Bank loan at December 31, 2007	\$ 17,500,000	\$ 2,908,170	\$ 14,591,830

As at December 31, 2007, interest expense incurred of \$479,974 (2006 - \$152,377), and accreted interest expense related to the debt discount of \$627,459 (2006 – \$371,365) were capitalized to the Investment in MSC (Note 4 (b)). Interest expense of \$119,459 (2006 - \$nil) and accreted interest expense of \$120,671 (2006 - \$nil) for general purposes were expensed into net loss during the year ending December 31, 2007.

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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.

b. Issued, Allotted and/or Subscribed:

	Shares	Value
Balance, December 31, 2005*	108,484,137	\$ 41,679,110
Issued for cash on exercise of options (ii)	860,000	379,163
Issued for cash on exercise of warrants (ii)	32,065,957	16,706,597
Issued for cash on exercise of broker warrants (ii)	1,972,632	1,111,282
Issued for cash (i)	13,156,689	3,766,000
Balance, December 31, 2006	156,539,415	\$ 63,642,152
Issued for cash on exercise of options	1,650,000	789,237
Issued for cash on exercise of warrants (iii)	8,904,852	7,106,556
Issued for cash on exercise of broker warrants	--	--
Fair value of warrants granted for private placement (Note 8)	--	(3,058,362)
Fair value of warrants granted to agents (Note 8)	--	(152,918)
Fair value of options granted to agents (Note 8)	--	(365,934)
Issued for cash (Dec07 private placement Cdn\$1.55 each) (iv)	13,880,645	20,551,618
Balance, December 31, 2007	180,974,912	\$ 88,512,349

* refer to Note 7(b) in the December 31, 2006 Consolidated Financial Statements for a full continuity of share capital transactions since inception

- i. On March 8, 2006, we completed the second private placement with Mr. McEwen and sold 13,156,689 units at a price of Cdn\$0.35 per unit for net of commission proceeds of Cdn\$4,367,430 (\$3,766,000). 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\$0.55 per share at any time prior to the earlier of: a) the date which is the 15th trading day after receiving notice from Minera Andes that the weighted average price of the common shares on the TSX Venture Exchange has been equal to or greater than Cdn\$1.00 for a period of 20 consecutive trading days commencing 120 days after the date of issuance of the warrants, and b) March 8, 2008. The 6,578,345 purchase warrants issued with the second private placement were exercised on May 5, 2006.

The agents received a cash commission of 5% of the gross proceeds of the financing and 322,339 broker warrants, equal to 2.45% of the aggregate number of units sold. Each broker warrant upon exercise will entitle the holder to acquire one common share at an exercise price of Cdn\$0.55 per

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7. SHARE CAPITAL – continued

common share at any time prior to the earlier of: a) the date which is the 15th trading day after receiving notice from Minera Andes that the weighted average price of the common shares on the TSX Venture Exchange has been equal to or greater than Cdn\$1.00 for a period of 20 consecutive trading days commencing 120 days after the date of issuance of the warrants, and b) March 8, 2008. All of the 322,339 broker warrants were exercised by the end of 2006.

- ii. During 2006, we issued 860,000 shares for the exercise of stock options at weighted average exercise price of Cdn\$0.51 per share; 32,065,957 shares for the exercise of purchase warrants at weighted average exercise price of \$0.59 and 1,972,632 shares for the exercise of broker warrants at weighted average exercise price of \$0.65 for total proceeds of \$18,197,042.
- iii. In February 2007, the shareholders approved a warrant exercise incentive program. The Corporation received gross proceeds of Cdn\$3.9 million through the early exercise of 6,006,758 warrants, under the incentive program for the early exercise of three series of common share purchase warrants of the Corporation.

The early exercise incentive program pertains to three private placements listed in the table below. Notices regarding the early exercise incentive were delivered to holders of the affected private placements advising the holders of the incentive exercise program. Holders of these warrants had until March 19, 2007 to exercise their warrants to receive the incentive. The following table sets forth the number of warrants exercised pursuant to the incentive program, the funds received and the number of warrants still outstanding:

Warrant price (Cdn\$)	Expiry date	Number of warrants exercised	Value of warrants exercised under incentive program (Cdn\$)	Number of warrants still outstanding after early exercise
0.50	11/13/2008	851,500	\$ 425,750	878,725
0.55	12/1/2007	935,714	514,643	--
0.70	3/22/2010	4,219,544	2,953,680	2,012,409
Total		6,006,758	\$ 3,894,073	2,891,134

Under the incentive program, a total of 600,673 New Warrants were issued to those warrant holders taking part in the early exercise incentive. Each New Warrant entitles the holder to acquire a common share of the Corporation at the price of Cdn\$1.75 per share until September 19, 2008. The New Warrants and common shares issuable upon exercise of the New Warrants will be subject to a four-month and one-day hold period. 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 – 3.87%; expected volatility of 62.36% and an expected life of 18 months. The fair value calculated to be \$293,379 was recorded as a capital transaction with a corresponding entry to contributed surplus as an incentive warrant payment.

For those warrant holders who did not take part in the incentive program, the existing warrants held will continue to be exercisable for common shares under the original terms of the private placement. However, the holder is not entitled to receive any new incentive warrants.

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7. SHARE CAPITAL - continued

- iv. On December 19, 2007, we announced proposed financing for a brokered private placement of units for gross proceeds of up to Cdn\$35.0 million.

On December 21, 2007 the first closing was completed. The first closing was completed for Cdn\$21.515 million by issuing 13,880,645 units at a price of Cdn\$1.55 per unit.

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\$2.00 per share until December 21, 2009. The securities are subject to a four-month hold period. Scotia Capital Inc. (“Scotia”) acted as agent on the brokered private placement in Canada while Shoreline Pacific LLC acted in the U.S. (together the “Agents”).

The Finders received a cash commission of 5% of the gross proceeds or \$1,075,781. The Finders also received agent’s compensation options (“Agent’s Options”) equal to 5% of the aggregate number of units sold pursuant to the offering. Each Agent’s Option upon exercise will entitle the holder to acquire one unit at an exercise price of Cdn\$1.70 per unit until December 21, 2009. The fair value of the agent options was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield – Nil; risk free interest rate – 3.85%; expected volatility of 58.79% and an expected life of 24 months. The fair value calculated to be \$365,934 was recorded with a corresponding entry to contributed surplus. A total of 13,880,645 common shares have been issued pursuant to the final closing of the private placement, and 6,940,322 common shares will be reserved for issuance on the exercise of the warrants and the 694,032 units for exercise of the Agent’s Options.

- v. Subsequent to year end on January 29, 2008, the second closing was completed. The second closing was completed for Cdn\$12.079 million by issuing 7,778,023 units at a price of Cdn\$1.55 per unit.

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\$2.00 per share until December 21, 2009. The securities are subject to a four-month hold period. Scotia Capital Inc. (“Scotia”) acted as agent on the brokered private placement in Canada while Shoreline Pacific LLC acted in the U.S. (together the “Agents”). The non-brokered private placement was completed with Canaccord Capital Corporation (“Finders”).

The Agents and Finders received a 5% commission. The Agents and Finders also received Agent’s compensation options (“Agent’s Options”) equal to 5% of the aggregate number of units sold pursuant to the offering. Each Agent’s Option upon exercise will entitle the holder to acquire one unit at an exercise price of Cdn\$1.70 per unit until December 21, 2009. A total of 7,778,023 common shares have been issued pursuant to the second closing of the private placement, and 3,896,511 common shares will be reserved for issuance on exercise of the warrants and 389,651 units for issuance on the exercise of the Agent’s Options.

- vi. During 2007, we issued 1,650,000 shares for the exercise of stock options at weighted average exercise price of Cdn\$0.52 (\$0.48) per share and 8,904,852 shares for the exercise of purchase warrants at weighted average exercise price of Cdn\$0.91 (\$0.80).

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7. SHARE CAPITAL - continued

- vii. The third and final closing of the private placement was completed on February 11, 2008 and sold 427,000 units at a price of Cdn\$1.55 per unit for gross proceeds of Cdn\$661,850. The final closing was non brokered private placement. 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\$2.00 per share until December 21, 2009. The securities are subject to a four month hold period. The non-brokered private placement was completed with Canaccord Capital Corporation (“Finders”).

The Finders received a cash commission of 5% of the gross proceeds. The Finders also received agent’s compensation options (“Agent’s Options”) equal to 5% of the aggregate number of units sold

pursuant to the offering. Each Agent’s Option upon exercise will entitle the holder to acquire one unit at an exercise price of Cdn\$1.70 per unit until December 21, 2009. A total of 427,000 common shares have been issued pursuant to the final closing of the private placement, and 213,500 common shares will be reserved for issuance on the exercise of the warrants and the 21,350 units for exercise of the Agent’s Options.

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 10% of our issued and outstanding Common Shares up to a maximum of 15,169,643 (2006 – 15,169,643) 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 the Company by reason of death, or ninety (90) days after ceasing to be a director, officer, employee or consultant of the Company for any reason other than death.

At December 31, 2007, 1,198,643 (2006 – 1,448,643) options were available for grant under the Plan.

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7. SHARE CAPITAL – continued

A summary of the status of the Plan as of December 31, 2007 and 2006, and changes during the years ended on those dates is:

	2007		2006	
		(Cdn) Weighted Avg. Exercise Price		(Cdn) Weighted Avg. Exercise
	Options		Options	
Outstanding at beginning of year	11,615,000	\$1.03	6,745,000	\$0.54
Granted	250,000	\$1.73	5,825,000	\$1.51
Exercised	(1,650,000)	\$0.52	(860,000)	\$0.51
Expired	--	\$ --	(95,000)	\$0.56
Outstanding at end of year	10,215,000	\$1.13	11,615,000	\$1.03
Exercisable at end of year	9,965,000	\$1.13	11,615,000	\$1.03
Weighted average grant-date fair value of options granted during the year		Cdn\$0.16 (\$ 0.15)		Cdn\$0.90 (\$ 0.87)

The weighted average remaining contractual life of outstanding options is 3.4 years at December 31, 2007 (2006 – 4.0 years).

At December 31, 2007 there were options held by directors, officers, employees and non-employees for the purchase of our Common Shares as follows:

Number of Shares	Exercise Price	Expiry Date
990,000	Cdn\$0.59	December 5, 2008
1,055,000	Cdn\$0.55	September 10, 2009
20,000	Cdn\$0.61	December 14, 2009
1,635,000	Cdn\$0.60	December 28, 2010
5,825,000	Cdn\$1.51	December 27, 2011
250,000	Cdn\$1.73	September 12, 2012
440,000	Cdn\$0.31	March 21, 2013
<u>10,215,000</u>		

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7. SHARE CAPITAL – continued

During 2007 and 2006, 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.

	2007	2006
Dividend yield (%)	--	--
Expected volatility (%)	59.6	77.4
Risk-free interest rates (%)	4.4	4.0
Expected lives (years)	5.0	5.0

In connection with the vesting of certain non-employees, employees and directors stock options, we have recorded stock option compensation of \$40,000 (\$40,000 to wages and benefits and \$nil to consulting fees) and \$5,069,887 (\$3,662,838 to wages and benefits and \$1,407,049 to consulting fees) during the years ended December 31, 2007 and 2006, respectively.

d. Warrants

	2007		2006	
	Warrants	(Cdn) Wgt. Avg. Exercise Price	Warrants	(Cdn) Wgt. Avg. Exercise Price
Outstanding and exercisable at beginning of year	11,367,892	\$0.85	36,505,798	\$0.61
Purchase warrants	15,835,054	\$2.11	8,578,344	\$0.84
Brokers' warrants	--	--	322,339	\$0.55
Exercised	(8,904,852)	\$0.91	(34,038,589)	\$0.59
Outstanding and exercisable at end of year	18,298,094	\$1.91	11,367,892	\$0.85

The range of exercise prices on outstanding warrants is Cdn\$0.50 to Cdn\$2.41 (2006 – Cdn\$0.50 to Cdn\$1.80) with a weighted average contractual life of 1.68 years at December 31, 2007 (2006 – 2.32 years).

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8. CONTRIBUTED SURPLUS

During 2007, the Company adopted prospectively, the fair value method of accounting for private placement and broker's warrants. Under this method, the Company charged \$7,537,750 in 2007 of private warrant expense to share capital with an offset credit to contributed surplus.

Contributed surplus transactions for the respective years are as follows:

	2007	2006
Balance, beginning of year	\$ 8,440,457	\$ 2,736,570
Stock-based compensation	40,000	5,069,887
Debt discount - Tranche 3	1,731,100	--
Debt discount - Tranche 4	1,925,200	--
Early incentive exercise of warrants	293,379	--
Fair value of warrants granted to McEwen	--	634,000
Fair value of warrants granted for private placement - 1st closing	3,029,219	--
Fair value of warrants granted to agents	152,918	--
Fair value of options granted to agents	365,934	--
Balance, end of year	\$ 15,978,207	\$ 8,440,457

9. 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 Neuquén have waived their right to a royalty. The provinces of Río 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 \$2,150 per month with a commitment through December 2007, with option to renew for \$2,150 per month through June 2009.
- c. We rent office space in Vancouver, British Columbia, Canada for Cdn\$900(\$889) per month, without a commitment.
- d. We rent office space in Argentina for \$1,089 per month with a commitment through August 2008.
- e. We rent storage space in Argentina for \$2,700 per month consisting of one \$1,500/month commitment through June 2010 and another \$1,200/month commitment through December 2009.
- f. On December 2, 2003, we signed an agreement that obligated us to pay N.A. Degerstrom a royalty of \$250,000 if any of the current properties, other than the properties comprising the San José project, meet certain conditions such as bankable feasibility or commercial production prior to December 2, 2013.

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9. AGREEMENTS, COMMITMENTS AND CONTINGENCIES

- g.** On November 8, 2007, we entered into an agreement with a consultant that requires the payment of \$30,000 per month for the term of the agreement. The term is unspecified and can be cancelled at any time after February 2008.
- h.** We are obligated to fund our 49% of the costs at San Jose that are not funded by project financing as well as 49% of capital contributions or our ownership will be diluted. In December 2007, the shareholders of MSC agreed to increase the share capital of MSC by \$34,500,000, of which \$16,905,000 represented Minera Andes' portion, which was accrued as a liability at December 31, 2007. The Company paid this amount in January 2008. As of December 31, 2007, we do not expect to have further cash calls as the Company is now operating and plant expansion costs are to be paid from cash flow of the operation.

During 2007, MSC signed agreements with third party providers relating to the development of the San Jose/ Huevos Verdes project. Our 49% portion of these commitments is approximately \$16 million.

10. RELATED PARTY TRANSACTIONS

During 2007, we incurred the following transaction with a related party: legal fees to a director totaling \$62,344 (2006 - \$55,839). The above noted 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 party.

11. INCOME TAXES

The tax effects of the temporary differences that give rise to our future tax assets and liabilities are as follows:

	2007	2006
Net operating losses	\$ 6,306,400	\$ 6,452,400
Equipment	4,400	5,300
Undeducted financing costs	681,200	423,400
Deferred exploration costs	114,800	45,800
Valuation allowance	(7,106,800)	(6,926,900)
Future tax assets (liabilities)	\$ -	\$ -

The provision for income taxes differ from the amount established using the statutory income tax rate as follows:

	2007	2006
Income benefit at Cdn statutory rate	\$ (2,796,200)	\$ (3,621,800)
Foreign income taxes at other than Cdn statutory rate	31,500	64,100
Non-deductible equity pickup	1,633,100	502,800
Permanent difference	33,800	-
Non-deductible stock option compensation	11,200	1,874,000
Effect in statutory rate change	(257,300)	(61,600)

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Increase in valuation allowance	1,343,900	1,242,500
Future income tax recovery	\$ -	\$ -

11. INCOME TAXES -continued

The Company's future tax assets include approximately \$2,430,000 (2006 - \$1,260,000) related to deductions for share issue costs in excess of amounts deducted for financial reporting purposes. If and when the valuation allowance related to these amounts is reversed, the Company will recognize this benefit as an adjustment to share capital as opposed to income tax expense in the Statement of Operations.

The valuation allowance as at December 31, 2007 was decreased by \$1,164,000 (December 31, 2006 - \$447,500), representing the tax effect of the share issuance costs incurred in the period and the expiry of loss carry forwards.

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of future tax assets, the impact of the change on the valuation allowance is reflected in current income. As management of the Company does not currently believe that it is more likely than not that the Company will receive the benefit of this asset, a valuation allowance equal to the future tax asset has been established at both December 31, 2007 and December 31, 2006.

As at December 31, 2007, the Company had estimated net operating loss carry-forwards available to reduce taxable income in future years as follows:

Country	Amount	Expiration Dates
Argentina	\$8,600,000	2008 - 2012
Canada	\$7,800,000	2008 - 2027

These consolidated financial statements do not reflect the potential effect on future income taxes of the application of these losses.

12. 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 loss and accumulated deficit as previously reported.

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13. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

As discussed in Note 2, these financial statements are prepared in accordance with Canadian GAAP. Differences between Canadian GAAP 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 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 (the Company became listed on the TSX Exchange in 2007). During the years ended December 31, 2007 and 2006 and for the period from July 1, 1994 (inception) through December 31, 2007, 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. Our investment in MSC has proven and probable reserves but MSC did not receive government approval of the Environmental Impact Assessment (EIA) until the first quarter of 2006. Therefore, we presented the effect of expensing all deferred exploration costs through December 31, 2005 as a reconciling item between U.S. and Canadian GAAP.

c. Stock-Based Compensation

In December 2004, the Financial Accounting Standards Board (“FASB”) issued Statement No. 123R, “Share-Based Payment,” which requires companies to expense the fair value of employee stock options and other forms of stock-based compensation. This requirement represents a significant change because share-based stock option awards to employees, a predominate form of stock compensation for us, were not recognized as compensation expense under APB 25.

Statement 123R requires the cost of the award, as determined on the date of grant at fair value, to be recognized over the period during which an employee is required to provide service in exchange for the award, usually the vesting period. The grant-date fair value of the award will be estimated using an option-pricing model. The Company adopted the statement using the modified-prospective method on January 1, 2006. The Company currently discloses the effect of expensing stock options under a fair value approach using the Black-Scholes pricing model in Note 7(c) to these Condensed Consolidated Financial Statements.

For U.S. GAAP, prior to the adoption of Statement 123R, the Company continued to follow Accounting Principle Board Opinion No. 25 “Accounting for stock issued to employees” and related interpretations to account for stock options issued to employees. In accordance with Emerging Issues Task Force (“EITF”) 00-23 Issue 31, variable accounting was required since options issued with an exercise price denominated in a currency other than its functional currency is not considered fixed. Under variable accounting, the intrinsic value of the options issued to employees was measured on each balance sheet date, with the adjustment charged to the Statement of Operations.

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13. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES – continued

d. Warrants

In connection with the private placements of 13,880,645 units which were issued in December 2007. No such warrants were issued in 2006. Under U.S. 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:

	Agent Warrants
	2007
Number of Warrants	6,940,322
Risk-free rate	3.85%
Dividend yield	Nil%
Volatility factor of the expected market price of the Company's common shares	59%
Weighted average expected life of the warrants (months)	24
Value of warrants	\$ 3,029,219

The value of the agent warrants was charged as commission against share capital as share issuance costs per our accounting policy; thus there is no effect on shareholder's equity.

e. Bank Loan

Under Canadian GAAP, the corresponding entry to record the debt discount of \$1,731,000 related to the third tranche warrants and \$1,925,200 related to the fourth tranche warrants granted to Macquarie in connection with a credit facility (Note 6) was charged to contributed surplus.

In December 2006, the FASB issued FASB Staff Position EITF 00-19-2 *Accounting for Registration Payment Arrangements* (“FSP EITF 00-19-2”), which states that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement shall be recognized and measured separately in accordance with SFAS No. 5, *Accounting for Contingencies* and SFAS No. 14, *Reasonable Estimation of the Amount of a Loss*. Prior to FSP EITF 00-19-2, 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 fair value of the first and second tranche warrants was recorded as a liability. Subsequent to the initial measurement, the value of the warrants is remeasured on each balance sheet date or upon exercise of the warrants, based on the fair value of the warrants with the adjustment charged to the Statement of Operations and Accumulated Deficit.

For the year ended December 31, 2007, the accounting treatment for the third and fourth tranche warrants was consistent with Canadian GAAP (classified in equity rather than in liability) as a result of the application of FSP EITF 00-19-2 and the Company's change from a domestic filer to a foreign private issuer.

Under U.S. GAAP, the fair value of the warrants is recognized on the Consolidated Balance Sheet as deferred financing costs and is amortized on a straight line basis over the term of the debt. This would result in a net increase of \$2,908,170 (2006 - \$nil) as at December 31, 2007 in total assets under U.S. GAAP as compared to Canadian GAAP. Total assets under U.S. GAAP purposes were \$96,450,070 as at December 31, 2007 (2006 – \$24,618,463).

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13. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES – continued

For 2006, 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 in connection with a credit facility (Note 5) was charged to contributed surplus. Under U.S. 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 fair value of the warrants was recorded as a liability. Subsequent to the initial measurement, the value of the warrants is remeasured on each balance sheet date or upon exercise of the warrants, based on the fair value of the warrants with the adjustment charged to the Statement of Operations and Accumulated Deficit. Both the first and second tranche warrants were exercised during 2006 so no liability was associated with the warrants as at December 31, 2006. For the year ended December 31, 2006, the effect of remeasurement was to increase the fair value of the liabilities associated with the warrants by \$1,754,639 (2005 - \$704,892) which was debited to the Statement of Operations and Accumulated Deficit. On March 2, 2006, Macquarie exercised all of the second tranche warrants. The fair value of the liability associated with the second tranche warrants as at March 2, 2006 was \$1,451,623. On December 8, 2006, Macquarie exercised all of the first tranche warrants. The fair value of the liability associated with the first tranche warrants as at December 8, 2006 was \$1,617,908. Upon exercise of the warrants, the associated liability was transferred to shareholders’ equity. Under U.S. GAAP, the fair value of the warrants is recognized on the Consolidated Balance Sheet as deferred financing costs and is amortized on a straight line basis over the term of the debt.

This would result in a net increase of \$nil as at December 31, 2006 in total assets under U.S. GAAP as compared to Canadian GAAP. Total assets under U.S. GAAP purposes were \$24,618,463 as at December 31, 2006. For the year ended December 31, 2006, these GAAP differences related to the valuation and classification of warrants and differences in accounting treatment of deferred financing costs would result in total liabilities under U.S. GAAP purposes to have no difference from liabilities under Canadian GAAP of \$10,787,210. Total assets and liabilities under U.S. GAAP as at December 31, 2006 were not affected by these adjustments as the warrants were exercised by this date.

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13. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES – continued

The fair value of the first tranche warrants, as at December 8, 2006, was calculated to be \$1,617,908 using the Black-Scholes option pricing model with the following assumptions: dividend yield – Nil; risk free interest rate – 4.89%; expected volatility of 99.55% and an expected life of 23 days. The fair value of the second tranche warrants, as at March 2, 2006, was calculated to be \$1,451,623 using the Black-Scholes option pricing model with the following assumptions: dividend yield – Nil; risk free interest rate – 3.53%; expected volatility of 57.34% and an expected life of 17 months. Upon exercise of the warrants, the fair value was transferred to shareholders' equity.

f. Derivative instruments and hedging activities:

Prior to January 1, 2007 under Canadian GAAP, the Company did not have any qualified derivative instruments and hedging activities. During the year, the Company's equity investment in MSC had a forward contract on metal prices against the London Bullion Exchange embedded into their revenue contracts. There is currently no difference in accounting between Canadian GAAP and US GAAP in respect of derivatives held by the Company that do not qualify for hedge accounting. Unlike Canadian GAAP, however, the Company recognized all of its derivative instruments (whether designated in hedging relationships or not, or embedded within hybrid instruments) at fair value on the Consolidated Balance Sheet for US GAAP purposes. Under US GAAP, the accounting for changes in the fair value (ie. gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as fair value hedges, the effective portion of the change in the fair value of the derivative is offset in income against the change in fair value, attributed to the risk being hedged, of the underlying hedged asset, liability or form commitment. For cash flow hedges, the effective portion of the changes in the fair value of the derivative is accumulated in Other Comprehensive Income until the variability in cash flows being hedged is recognized in earnings in future accounting periods.

g. Income taxes related to the above adjustments:

The income tax adjustment reflects the impact on income taxes on the US GAAP adjustments described above. Accounting for income taxes under Canadian GAAP and US GAAP is similar, except that income tax rates of enacted or substantively enacted tax law must be used to calculate future income tax assets and liabilities under Canadian GAAP, whereas only income tax rates of enacted tax law can be used under US GAAP.

h. Income tax consequences of stock-based employee compensation:

Under Canadian GAAP, the income tax benefit attributable to stock-based compensation that is deductible in computing taxable income but is not recorded in the consolidated financial statements as an expense of any period (the “excess benefit”) is considered to be a permanent difference. Accordingly, such amount is treated as an item that reconciles the statutory income tax rate to the Company's effective income tax rate. Under US GAAP, the excess benefit is recognized as additional paid-in capital.

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13. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES – continued

i. New Accounting Pronouncements

Recently issued United States accounting pronouncements have been outlined below.

FSP FIN 48-1, “*Definition of Settlement in FASB Interpretation No. 48*”, amends Financial Accounting Standard Board (FASB) interpretation No.48, Accounting for Uncertainty in Income Tax, to provide guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The provisions of FIN 48 are to be applied to all tax positions upon initial adoption, with the cumulative effect adjustment reported as an adjustment to the opening balance of retained earnings. The FSP is to be adopted upon initial adoption of FIN 48 with retroactive treatment if required.

The Company adopted FIN 48 on January 1, 2007, consistent with the provisions of the FSP, with no cumulative effect adjustment recorded at adoption. Accordingly, there is no impact on the Company’s December 31, 2007 consolidated financial statements resulting from the adoption of FIN 48. FIN 48 requires that interest expense and penalties related to unrecognized tax benefits be recognized in the Statement of Operations. FIN 48 allows recognized interest and penalties to be classified as either income tax expense or another appropriate expense calculation. If the Company recognizes interest expense or penalties on future unrecognized tax benefits, they will be classified as income tax expense.

In September 2006, FASB issued Statement of Financial Accounting Standard (“SFAS”) No. 157, “*Fair Value Measurements*” (“FAS 157”). FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FAS 157 are effective for the fiscal year beginning November 15, 2007. The Company expects that adoption of SFAS 157 will not have a material effect on its financial condition or results of operation.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, “*Employer’s Accounting for Defined Benefit Pension and Other Postretirement Plans*” - an amendment of FASB Statement No. 87, 88, 106 and 132R (SFAS 158). This Statement requires an employer to recognize in its statement of financial position an asset of a plan’s over funded status or a liability for a plan’s under funded status, measure a plan’s assets and its obligations that determine its funded status as of the end of the employer’s fiscal year (with limited exceptions), and recognize changes in the funded status of a defined benefit postretirement plan in the year changes occur. The Company expects that adoption of SFAS 158 will have no impact on its financial condition or results of operations.

In September 2006, the FASB issued FSP No. AUG AIR-1, “*Accounting for Planned Major Maintenance Activities*”. The guidance in this FSP is applicable to entities in all industries. The FSP prohibits the use of the accrue-in-advance method of accounting for planned major maintenance activities in annual and interim financial reporting periods. The implementation of FSP No. AUG AIR-1, effective January 1, 2007, did not have a material impact on the Company’s consolidated financial statements.

In February 2007 the FASB issued SFAS No.159, “*Fair Value Option for Financial Assets and Financial Liabilities*” - including an amendment to FAS 115. This standard permits a company to choose to measure certain financial assets, financial liabilities and firm commitments at fair value. The standard is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact SFAS No.159 will have on its financial condition and results of operations.

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13. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES – continued

In December 2007, the FASB issued SFAS No. 141(R), “*Business Combinations*”. The standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. The Company is currently reviewing the guidance, which is effective for fiscal years beginning after December 15, 2008, to determine the potential impact, if any, on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, “*Noncontrolling Interests in Consolidated Financial Statements*”. The standard requires all entities to report noncontrolling (minority) interests as equity in consolidated financial statements. SFAS No. 160 eliminates the diversity that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transactions. The Company is currently reviewing the guidance, which is effective for fiscal years beginning after December 15, 2008, to determine the potential impact, if any, on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, “*Disclosures about Derivative Instruments and Hedging Activities — An Amendment of FASB Statement No. 133*” (“SFAS 161”). SFAS 161 requires enhanced qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact of SFAS 161 on its consolidated financial statements.

j. Impact on Consolidated Financial Statements

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

	Dec. 31, 2007	Dec. 31, 2006
Shareholders’ equity, end of year, per Canadian GAAP	\$ 62,073,806	\$ 38,199,343
Adjustment for mineral properties and deferred exploration costs	(8,337,881)	(5,605,148)
Adjustment for mineral property and deferred exploration cost portion of investment	(28,875,158)	(18,762,942)
Loss on revaluation of liability for warrants subject to registration rights	--	(2,459,531)
Adjustment arising upon exercise of warrants subject to registration rights	--	3,069,531
Adjustment for the debt discount	--	(610,000)
Shareholders’ equity (Capital Deficit), end of year, per U.S. GAAP	<u>\$ 24,860,767</u>	<u>\$ 13,831,253</u>

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13. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES – continued

	Year Ended		Period from July 1, 1994 (inception) through December 31, 2007
	Dec. 31, 2007	Dec. 31, 2006	
Net loss for the period, per Canadian GAAP	\$ (8,195,137)	(10,772,440)	\$ (39,493,887)
Adjustment for acquisition of Scotia	--	--	(248,590)
Adjustment for compensation expense	--	--	(5,453,160)
Gain (Loss) on revaluation of liability for warrants subject to registration rights	--	(1,754,639)	(2,459,531)
Adjustment for deferred exploration costs, net	(2,732,733)	(1,134,974)	(8,337,881)
Adjustment for investment	(10,112,216)	(1,257,004)	(28,875,158)
Adjustment for variable intrinsic value	--	--	(304,925)
Net loss for the period, per U.S. GAAP	<u>\$(21,040,086)</u>	<u>\$(14,919,057)</u>	<u>\$(85,173,132)</u>
Basic and diluted net loss per common share, per U.S. GAAP	<u>\$ (0.13)</u>	<u>\$ (0.11)</u>	

	Dec. 31, 2007	Dec. 31, 2006
Total liabilities, per Canadian GAAP	\$ 68,681,133	\$ 10,787,210
Adjustment for the debt discount	3,656,300	610,000
Adjustment for amortization of debt discount	(748,130)	(610,000)
Adjustment to recognize warrant liability	--	610,000
Loss on revaluation of liability for warrants subject to registration rights	--	2,459,531
Adjustment arising upon exercise of warrants subject to registration rights	--	(3,069,531)
Total liabilities, per U.S. GAAP	<u>\$ 71,589,303</u>	<u>\$ 10,787,210</u>

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13. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES – continued

	Dec. 31, 2007	Dec. 31, 2006
Total assets, per Canadian GAAP	\$ 130,754,939	\$ 48,986,553
Adjustment for mineral properties and deferred exploration costs	(8,337,881)	(5,605,148)
Adjustment for mineral property and deferred exploration cost portion of investment	(28,875,158)	(18,762,942)
Adjustment for deferred financing costs	3,656,300	610,000
Amortization of deferred financing costs	(748,130)	(610,000)
Total assets, per U.S. GAAP	\$ 96,450,070	\$ 24,618,463

	Dec. 31, 2007	Dec. 31, 2006	Period from July 1, 1994 (inception) through December 31, 2007
Cash flows used in operating activities under Canadian GAAP	\$ (654,307)	\$ (1,789,156)	\$ (11,964,778)
Adjustment related to investment	(9,364,086)	(885,639)	(27,686,730)
Adjustment arising from exercise of warrants subject to registration rights	(3,580,453)	(2,777,701)	(22,870,071)
Cash flows used in operating activities under U.S. GAAP	\$ (13,598,846)	\$ (5,452,496)	\$ (62,521,579)
Cash flows used in investing activities under Canadian GAAP	\$ (24,377,346)	\$ (16,929,581)	\$ (72,361,361)
Adjustment related to mineral properties	9,364,086	885,639	27,686,730
Adjustment related to mineral properties	3,580,453	2,777,701	22,870,071
Cash flows used in investing activities under U.S. GAAP	\$ (11,432,807)	\$ (13,266,241)	\$ (21,804,560)

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14. SUBSEQUENT EVENTS

Subsequent events not disclosed elsewhere in the consolidated financial statements are as follows:

a. Investment in Minera Santa Cruz S.A. (MSC joint venture) – the San José Project

Subsequent to year end, the San Jose Project has begun production. During the fiscal year 2007, the expenses related to the construction of the operations and related interest expense on the debt has been capitalized as the plant had not been placed in mine operations. In 2008, expenses related to the operations of the plant and the interest expense will be expensed as incurred.

b. Issuance of stock options

On February 14, 2008, 100,000 stock options were granted to an employee at a share price of Cdn\$1.35. The options will vest every six months from the February 14, 2008 grant date to February 14, 2010.

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

Allen V. Ambrose
President; Chairman; Director

Brian Gavin
Vice President, Exploration

John J. (Jack) Crabb
Director

A.D. (Darryl) Drummond
Director

Gary A. Craig
Director

Bonnie L. Kuhn
Secretary; Director

Allan J. Marter
Director

Henry A. John
Chief Financial Officer

TRANSFER AGENT AND REGISTRAR

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Copies of Minera Andes' annual report on Form 40-F filed with the U.S. Securities and Exchange Commission are available upon request by contacting Minera Andes' office in Spokane, Washington U.S.A.

PRINCIPAL SUBSIDIARIES

Minera Andes S.A.
Andes Corporacion Minera S.A.
Minera Santa Cruz S.A. (49%)
Minera Andes (USA) Inc.

TRADING INFORMATION

Toronto Stock Exchange (TSX): MAI
US OTC: MNEAF

SHARE CAPITAL

Common shares outstanding totaled 189,402,435 as at May 23, 2008.

ANNUAL MEETING

Shareholders of Minera Andes are cordially invited to attend the Corporation's annual general and special meeting on June 27, 2008 at 10 a.m. (Pacific Time) in Suite A, 111 E. Magnesium Road, Spokane, Washington U.S.A.

FORWARD-LOOKING STATEMENT – Except for historical information contained in this annual report, disclosure statements contained herein are forward-looking, as defined in the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those in such forward looking statements. Forward-looking statements are based on management's beliefs, estimates and opinions on the date the statements are made and the company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned attributing undue certainty to forward-looking statements. Reference is made to the risk factors and uncertainties described in the Company's continuous disclosure record, a copy of which is available under the Company's profile at www.sedar.com. Hochschild Mining plc., our joint venture partner for the San José Project, does not accept responsibility for the use of the project data, or the adequacy, or accuracy of its use. Similarly, Hochschild denies any responsibility for Minera Andes's NI 43-101 San José Technical Report or for any of Minera Andes' Canadian securities filings or for any information that Minera Andes has given to the securities markets and any such responsibility is hereby disclaimed in all respects.

Minera Andes is a mineral exploration and development company and is exposed to a number of risks and uncertainties that are common to companies in the same business. The Company's financial success is subject to, among other things, fluctuations in gold and silver prices which may affect the economic value of its mineral resources as well as any future operating results. The Company is exposed to risks involved with currency fluctuations, the need for additional capital, foreign operations, developing in a remote area, environmental matters, political situations and regulations.

CAUTION TO U.S. INVESTORS – Although the Company has a completed feasibility study and subsequent technical review, the terms "mineral resource," "measured mineral resource," and "inferred mineral resource" are recognized and required by Canadian regulations, they are not defined terms under standards in the United States. Therefore, information contained in this report concerning descriptions of mineralization and resources under Canadian Standards may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the Securities and Exchange Commission. "Indicated mineral resource" and "inferred mineral resource" have a great amount of uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "indicated mineral resource" will ever be upgraded to a higher category. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into resources.



MINERA ANDES is a proven silver, gold and copper exploration company sharing in a rising level of income from one of its discoveries, the San José silver/gold mine in southern Argentina. Even as Minera Andes makes a successful transition to production-derived income, the Company continues to emphasize its core strength – mineral exploration and discovery. New value is being added at San José, where on-going exploration resulted in the doubling of the proven and probable ore reserve base in late 2007. Exploration expertise is also reflected in new drilling programs at the Los Azules copper discovery, which suggest that this Minera Andes' discovery is evolving into a significant copper deposit. Minera Andes' mineral exploration strategy of discovery, development via partnership and profit-sharing production, is affirmed by excellent discovery potential in Argentina, one of the western hemisphere's emerging mineral frontiers. Minera Andes controls or jointly owns about 304,000 acres of highly prospective, under-explored mineral land in Argentina, primarily along the Andean mountains where Company geologists recognized that substantial copper, gold and silver discoveries could be made through careful, systematic exploration.

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