U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-KSB

(Mark One)

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

for the fiscal year ended December 31, 2003

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

for the transition period from ______ to ______

Commission file number 000-22731

MINERA ANDES INC.

(Name of small business issuer in its charter)

Alberta, Canada

(State or other jurisdiction of incorporation or organization)

None

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

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

(Address of principal executive offices)

(509) 921-7322

(Issuer s telephone number)

Securities registered under Section 12(b) of the Act: Title of each class	Name of each exchange on which registered:
None	

Securities registered under Section 12(g) of the Act:
Common shares without par value

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

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

The aggregate market value of the voting stock held by non-affiliates as of March 12, 2004 was $26,144,579.

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date: As of March 12, 2004 the Registrant had 69,810,865 common shares outstanding.

Transitional Small Business Disclosure Format (Check one:) Yes ¨ No x

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PART I

Preliminary Note Regarding Forward-Looking Statements; Currency Disclosure

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

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

All currency amounts in this report are stated in U.S. dollars unless otherwise indicated. On March 12, 2004, the late New York trading rate of exchange, as reported by The Wall Street Journal for conversion of United States dollars into Canadian dollars was U.S.$1.00 = Cdn$1.3355 or Cdn$1.00 = U.S. $0.7488.

ITEM 1. DESCRIPTION OF BUSINESS

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

Our business grew out of a program begun by N.A. Degerstrom, Inc. (Degerstrom), a contract mining company based in Spokane, Washington, to identify properties in Argentina that possessed promising mineral potential. Based on the study of available remote sensing satellite data and experience gained from drilling work performed by Degerstrom, beginning in 1991 Degerstrom identified a number of areas which it believed had exploration potential and began the process of filing applications for exploration concessions with the provincial governments in Argentina and negotiating option agreements with private landowners. Degerstrom conveyed these property interests to Minera Andes in 1995. See Description of Properties S The Degerstrom Agreement and Management s Discussion and Analysis or Plan of Operations.

Our current properties and projects consist of mineral rights and applications for mineral rights covering approximately 199,875 hectares in three Argentine provinces. The lands comprise option-to-purchase contracts, exploration and mining agreements and direct interests through our filings for exploration concessions. Our properties are all early stage exploration prospects except for the San José project, which is an advanced stage exploration project. No proven or probable reserves have yet been identified. See Description of Properties. We have three full time employees and several project-specific contract consultants.

Operating Structure

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

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The corporate structure of Minera Andes is as follows:

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

In July 2003, we announced that Mauricio Hochschild & Cia. Ltda. S.A. (MHC) had acquired 51% of the shares of the project company, MSC, upon satisfaction of the vesting requirements of the Option and Joint Venture Agreement for the development of the Huevos Verdes gold/silver project in southern Argentina. The agreement required MHC to expend US$3 million on the further exploration and development of the Huevos Verdes project, owned by MSC, in order to vest. Minera Andes holds a 49% interest in MSC through our subsidiary, MASA.

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

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

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

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the reasons for entering into the Operating Agreement, which included using the established Argentina infrastructure of Degerstrom at the time we were listed, are no longer applicable. We are no longer a newly formed junior public company and have been in existence for ten years. The management and the board of directors thought it was also prudent for corporate governance reasons to separate itself from Degerstrom. As of March 12, 2004, Degerstrom owned 8.3% of our issued and outstanding shares.

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

Risks Related to our Business

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

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

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

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

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

Need for Additional Capital. The exploration and, if warranted, development of Minera Andes properties would require substantial financing. Our ability to obtain additional financing will depend, among other things, on the

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price of gold, silver, copper and other metals and the industry s perception of their future price. Therefore, availability of funding depends largely on factors outside of our control and cannot be accurately predicted; financing may not be available when needed or on terms satisfactory to us and may be dilutive to our shareholders. We have historically obtained funds for a portion of our capital expenditure from joint venture or investment partners. However, we cannot assure you that such joint venture or investment partners will provide such funds or that such project financing for mining projects is limited. Failure to obtain sufficient financing could result in delay or indefinite postponement of exploration, development or production on any or all of Minera Andes projects or loss of properties. For example, certain agreements pursuant to which we have the right to conduct exploration activities carry work commitments which, if not met, could result in losing our right to acquire an interest in the subject property. We cannot assure you that additional capital or other types of financing will be available when needed or that, if available, the terms of such financing will be favorable to Minera Andes.

Competitive Business Conditions. The exploration and development of mineral properties in the Republic of Argentina is a highly competitive business. Other companies compete with us in the acquisition, exploration and development of mining properties. Many of these competing companies are significantly larger than we are and have substantially greater economic and technical resources than us. While we seek to compete by identifying properties for exploration, acquiring exclusive rights to conduct such exploration and carrying out exploration and development of the properties with joint venture or investment partners, there can be no assurance that we will be successful in any of these efforts.

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

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

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

Environmental and Other Laws and Regulations. Mining operations and exploration activities in Argentina are subject to various federal, provincial and local laws and regulations governing mineral rights, exploration, development and mining, exports, taxes, labor, protection of the environment and other matters. Compliance with

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such laws and regulations may necessitate significant capital outlays, materially affect the economics of a given project, or cause material changes or delays in our intended activities. Minera Andes has obtained or is in the process of obtaining authorizations currently required to conduct its operations. New or different standards imposed by governmental authorities in the future or amendments to current laws and regulations governing operations and activities of mining companies or more stringent implementation thereof could have an adverse impact on Minera Andes activities.

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

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

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

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

argillic means pertaining to clay or clay minerals;

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

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

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

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

dacite is a type of fine-grained extrusive rock;

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

felsic describes an igneous rock having abundant light colored minerals;

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

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

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

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

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

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

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

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

Mina means an exploitation grant based on Manifestación de Descubrimiento;

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

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

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

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

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

rhyolite is a type of felsic lava flow;

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

stratigraphy   means the science of rock strata;

synvolcanic   means formed at the time of volcanic activity;

tuffaceous   is a general term for all consolidated pyroclastic rocks;

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

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

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

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

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

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

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

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

To Convert From Imperial	To Metric	Multiply by
acres	hectares	0.404686
feet	meters	0.30480
miles	kilometers	1.609344

tons	tonnes	0.907185
ounces (troy)/ton	grams/tonne	34.2857

1 mile = 1.609 kilometers
1 yard = 0.9144 meters
1 acre = 0.405 hectares
2,204.62 pounds = 1 metric ton = 1 tonne
2,000 pounds (1 short ton) = 0.907 tonnes
1 ounce (troy) = 31.103 grams
1 ounce (troy)/ton = 34.2857 grams/tonne

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Available Information

We make available, free of charge, on or through our Internet Web site, our annual report on Form 10-KSB, quarterly reports on Form 10-QSB, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended (the Exchange Act) as soon as reasonably practicable after we electronically file such material with, or furnish it to the SEC.

ITEM 2. DESCRIPTION OF PROPERTIES

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

The Degerstrom Agreement

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

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

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

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

We, as an established exploration company, felt the need to update the arrangements with Degerstrom. At the time that these agreements were signed, Degerstrom was a significant shareholder of ours, however, their shareholdings have been reduced to approximately 10.5% of our issued and outstanding shares at the end of 2003. In addition, the reasons for entering into the Operating Agreement, which included using the established Argentina infrastructure of Degerstrom at the time we were listed, are no longer applicable. We are no longer a newly formed junior public company and have been in existence for ten years. The management and the board of directors thought it was also prudent for corporate governance reasons to separate itself from Degerstrom. As of March 12, 2004, Degerstrom owned 8.3% of our issued and outstanding shares.

Terms of the Settlement Agreement

1. The parties terminated the Operating Agreement effective December 31, 2003. As a result of the termination, we vacated the office space currently provided by Degerstrom under the Operating Agreement. In addition, we have set up our own accounting systems.

2. There is a termination of the lock up agreement that had been previously entered into in the summer of 2003, when we were reviewing potential merger candidates.

3. The parties to the Settlement Agreement acknowledged that the Degerstrom Royalty covered the current properties held by us and our subsidiaries. Degerstrom agreed to assign the Degerstrom Royalty payable under the asset agreement on the current properties to MACI and has agreed to cancel the Performance Right.

4. The consideration for the assignment of the Royalty and cancellation of Performance Right is the payment of $500,000. In addition, a payment of $250,000 is payable if any of the current properties other than the properties comprising the San José project, meet certain conditions such as bankable feasibility or commercial production.

PRINCIPAL PROPERTIES

I. ARGENTINA

Recent Mining and Economic History in Argentina

Argentina is the second largest country in South America, over 2.7 million sq. km in area. In 1983, Argentina returned to a multiparty democracy, which brought to an end nearly a half century of military intervention and political instability. The country then began to stabilize; however, it was not until 1989, with the election of the government under President Carlos Menem, that Argentina s economy began to improve. Menem initiated economic reforms that included the privatization of many state companies and the implementation of the Convertibility Plan, which fixed the Argentine peso to the U.S. dollar at par, fully backed by reserves of foreign exchange, gold and dollar-denominated bonds of the Central Bank of Argentina. Results of the reforms were positive; Argentina s gross domestic product grew at up to 8% per annum in the early

1990s and inflation dropped to between 1% and 3% per annum. However, following a recession in 1999 and 2000, a severe political and economic crisis occurred in late 2001. In early 2002, with five presidents in less than five weeks, the current president, Eduardo Duhalde, chose to devalue the peso, first to $1.00 to Peso$1.40, before allowing the Peso to

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float in February 2002. The economic reforms associated with the devaluation of the Peso included the conversion of all U.S. dollar denominated contracts into Pesos on a one-to-one basis and all US dollar bank accounts into Pesos. At the beginning of January 2003 the Peso stood at Peso$3.37 to $1.00; at the end of December 2003, the peso stood at Peso$2.93 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. Copper and gold mineralization discovered to date occurs predominantly in the southern Andean copper belt which extends over 1,000 km through northwestern Argentina. The Bajo de la Alumbrera porphyry copper deposit has been brought onstream. Other copper deposits currently under development include the Agua Rica and El Pachon deposits. In addition, gold deposits are concentrated in the Argentine portion of the Central Andes Maricunga-El Indio gold belts and in the newly discovered Santa Cruz gold belt in southern Patagonia.

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

We initiated gold exploration in Argentina in 1991, in conjunction with Degerstrom. As of December 2003, we had Argentine land holdings totaling 199,875 ha in three Argentine provinces (Figure 1 below). Our exploration efforts initially focused on evaluating prospects generated by 1960 s United Nations development exploration programs and on targets generated by satellite image analysis. We developed techniques of processing and interpreting satellite imagery to assist in identifying promising exploration targets. Currently, we are completing exploration work that includes geophysical surveys, mechanical trenching and reverse-circulation drilling on the most advanced targets in our property portfolio, and conducting grassroots exploration to evaluate our other properties and to generate new targets.

Property and Title in Argentina

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

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

number or expediente number. Cateos are awarded by the following process:

a. Application for a cateo covering a designated area. The application describes a minimum work program for exploration;

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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.

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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.

Minera Andes Properties

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

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Figure 1

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A. San Juan Project Summary Which Includes Los Azules

1. San Juan Project Location

The San Juan Province Project comprises six properties totaling 37,568 ha in southwestern San Juan province. Elevation ranges from 2,500 m to 5,500 m and moderate to high relief.

2. San Juan Area Project Geology

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

3. San Juan Project Exploration

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

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

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

4. San Juan Area Project Ownership

Our lands in San Juan consist of six applications for cateos and 11 manifestations of discovery and total 37,568 ha. At present, these lands are not subject to a royalty, however, the government of San Juan has not waived its rights to retain up to a 3% mouth of mine royalty from production. Property canon fees for the properties in 2004 are estimated at $10,175.

5. Los Azules Project Geology

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

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

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property boundary where drilling on the adjacent property has revealed copper grades and thicknesses that increase toward the Minera Andes ground and contain up to 0.55% total copper and 2.1gm silver over 143 meters in holes that end in mineralization. Surface sampling on the Minera Andes porphyry target reveals gold values ranging from nil to 0.3 grams gold in a stockwork zone that is leached. The Minera Andes target remains to be tested by drilling.

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

6. Los Azules Exploration

Minera Andes geologists discovered the Los Azules property through regional exploration and prospecting using Landsat imaging, mapping and sampling. The acquired land position covers approximately half of a large area of hydrothermal alteration typically associated with mineralized systems. Exploration drilling in 1998 on the northern property boundary by Battle Mountain Gold (BMG) discovered significant copper intervals (see table below). As exploration drilling progressed south towards Minera Andes property boundary, copper grades and thickness generally increased. This is due to a change in mineralogy from a pyritic halo into a zone of increasing chalcopyrite indicative of the typical zonation in a porphyry copper system. These results from the adjacent property, along with altered and leached stockwork zones with surface gold anomalies on Minera Andes ground, point to an at untested porphyry target situated on Minera Andes ground.

BMG drilled 18 holes on the adjacent property. The three best mineralized copper intervals were located in close proximity to the Minera Andes Los Azules target. Reverse-circulation holes LA04-98, LA06-98, LA08-98 were drilled 1,200 meters, 600 meters, and 220 meters north, respectively, of the BMG-Minera Andes boundary, with all holes open at depth. These holes encountered a barren leached zone from the surface to about 70 to 100 meters followed by an enriched copper oxide zone and then a mixed oxide-sulfide zone to the end of the hole. The holes contain significant copper intervals along with the silver credits listed below.

Drill Hole	Total Depth (m)	Interval (m)	Intercept (m)	Total Cu* (%)	Ag (g/t)
LA04-98	250	117-250	133	0.47	2.2
LA06-98					
		61-250	189	0.44	2.0
Includes:	250	157-250	93	0.64	2.8
LA08-98					
		77-220	143	0.55	2.1
Includes:	220	103-220	117	0.61	2.3

* *Copper oxide plus copper sulfide*

Note: Holes ended in mineralization

BMG also completed an airborne magnetics survey over the entire Los Azules target area. This work also validates the porphyry target on the Minera Andes ground.

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In December 2003 Minera Andes initiated an exploration program at Los Azules. This program will include geologic mapping and sampling, ground magnetic and induced polarization geophysical surveys and a seven hole, 1700 meter core drilling program.

The base of information for Los Azules is taken primarily from an unsigned Battle Mountain Gold report, titled Los Azules Project , Final Report, dated September 1999, by Battle Mountain Canada Ltd., San Juan, Argentina and includes drilling data presented on Los Azules along with some of the technical information provided to Minera Andes Inc. by Battle Mountain Gold under the terms of a joint venture agreement.

B. San José Project Summary

1. San José Project Location

Formerly known as El Pluma/Cerro Saavedra, the San José property package is located in the Santa Cruz province of Argentina, 230 km southwest of the city of Comodoro Rivadavia, near latitude 46E41 S and longitude 70°17 W. The property consists of one cateo and 46 manifestations of discovery covering a total of 40,449 ha (approximately 404 km^2).

Road access to the property is good and consists of paved highways to within 80 km and then via a well-maintained gravel road. Topography varies from gently rolling to locally rugged; elevations range from 300 to 700 m above sea level. Most day-to-day supply requirements can be met by the settlements of Las Heras (130 km from the property), Caleta Olivia (250 km from the property) or Comodoro Rivadavia; specialized supplies and equipment must be procured from Buenos Aires, Mendoza, or abroad. Major hydroelectric transmission lines pass within 50 km of the property.

2. San José Project Geology

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

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

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

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

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

Saavedra West is interpreted as a synvolcanic graben developed within the Bajo Pobre Formation, and infilled by pyroclastic and lesser sedimentary rocks correlated with the La Matilde Formation. Pebble dikes are abundant within the graben and ignimbrites that may be correlative with the Chon Aike Formation occur as dikes. At Saavedra West mineralization occurs in a 200 m section of epithermal quartz vein, and an ovoid-shaped, 20 meter by 60 meter high-grade breccia zone immediately adjacent to the vein.

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

3. San José Project Exploration

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

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

Work in 2002, conducted by MHC (see San José Project Ownership below), consisted of core drilling, trenching, geological and geophysical surveys, surveying and metallurgical studies. Work on the property from 1997 to 2001 by Minera Andes and from 2001 to the present by MHC has consisted of the following:

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

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Recent exploration at San José has resulted in the discovery of high-grade gold-silver mineralization in drill holes at Huevos Verdes East (2 km northeast of the resource area at Huevos Verdes). This new high-grade zone is defined by three drill holes with the best drill intercept in the new zone averages 1.57 opt (53.75 g/t) gold and 50 opt (1,711.6 g/t) silver over 1.04 m in drill hole SJD-31. This intercept is part of a larger 41 ft (l2.5 m) interval with multiple zones of high-grade gold/silver mineralization.

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

During 2003, surface work was completed by MHC in preparing the site for the underground exploration program. Land was purchased from private land owners, right of way agreements were obtained, and a 27 km all-weather road to provide year-round access to the mine site was constructed.

Exploration work is ongoing and will include detailed topographic surveys, and detailed mapping and sampling.

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

a. Mineralized Material

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

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

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

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i. Huevos Verdes Mineralized Material

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

Table 1. Huevos Verdes Mineralized Material

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

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

The estimate of mineralized material was based on drilling by Minera Andes and MHC. To date, 32 of 53 holes drilled in four campaigns at Huevos Verdes have intersected high-grade gold and silver mineralization over potentially mineable widths. This drilling is confined to approximately 2.2 kilometers of the known 5 kilometers of strike length for the Huevos Verdes vein, which remains open at depth and along strike. The Huevos Verdes vein is one of four vein targets with a combined potential strike length of over 20 km.

ii. Saavedra West Mineralized Material

The gold/silver mineralization currently identified at Saavedra West is comprised of: 1) a 200 m section of epithermal quartz vein, and 2) an ovoid-shaped, 20 meter by 60 meter high-grade breccia zone immediately adjacent to the vein. Snowden estimated mineralized material to total 961,000 tonnes grading 245.9 g/t silver and 1.00 g/t gold, using a cutoff grade of 50 g/t Ag. Table 2 summarizes the classified mineralized material estimate at various silver cutoff grades.

Table 2. Saavedra West Mineralized Material

Ag Cutoff (g/t)	Tonnage Tonnes (x1000)	Ag Grade (g/t)	Au Grade (g/t)	Au Equivalent (g/t)
750	34	807.9	6.04	19.51

500	85	683.8	4.49	15.89
250	305	447.0	2.45	9.90
200	556	342.3	1.58	7.28
150	657	317.0	1.36	6.65
100	794	283.5	1.19	5.92
50	961	245.9	1.00	5.10

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

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b. Metallurgical Studies

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

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

Gravity concentration, flotation and chemical cyanide leaching tests were conducted on the samples. The best recoveries are from the combined flotation and leaching tests with total gold recoveries of 94.0%, and silver, 92.1%. Gravimetric concentration combined with cyanide leaching gives a recovery of 94.2% gold and 89.2% silver. Recovery efficiency and cost reduction benefits are likely to be enhanced during process optimization, as the mineralized material has a simple mineralogical composition and is low in sulfides and detrimental compounds.

4. San José Project Ownership

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 Minera Santa Cruz S.A., a holding and operating company set up under the terms of the agreement with MHC. Any production from these lands may be subject to a provincial royalty. Holding costs for 2004 are estimated to be $12,000.

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

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

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

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

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

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

Additional exploration at San José: $2.0 million

Underground exploration and reserve development at Huevos Verdes: $4.2 million

Metallurgical testing and pilot plant construction at Huevos Verdes: $6.0 million

The planned extensive surface exploration program includes 220 line-kilometers of geophysical surveys, which will precede an exploration drilling program. The drill program scheduled for March 2004 will focus on identified targets other than Huevos Verdes. This drill program will consist of approximately 7,000 m (22,960) feet of diamond drilling to further assess at least four of the approximately ten known targets, with the goal of discovering other potential ore bodies within San José.

At Huevos Verdes, MHC, as operator of the project is currently constructing two inclined shafts and a series of workings (4,259 m in total) on two levels to facilitate underground exploration with the goal of upgrading the existing gold-silver resource to the reserve category. Metallurgical testing and pilot plant construction and mining of plant feed are planned for March to September 2004.

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

C. Santa Cruz Project Property Summary

1. Santa Cruz Project Location

Minera Andes currently holds 17 cateos and 30 manifestations of discovery in the Deseado Massif region of Santa Cruz. These properties are located at moderate elevations (300 to 1,000 m above sea level). Topography varies from gently rolling to locally rugged. The Deseado Massif is a cold desert. Access to the properties is by dirt road and trail.

2. Santa Cruz Project Geology

The project area covers the Deseado Massif, a package of Middle to Upper Jurassic volcanic rocks locally overlain by Cretaceous sediments and Tertiary to Quaternary basalts. The Jurassic rocks are divided into the Bajo Pobre Formation, of intermediate composition, and the felsic Bahia Laura Group. The Bahia Laura Group is in turn subdivided into the Chon Aike Formation (dominantly ignimbrites) and the La Matilde

Formation (dominantly volcaniclastic rocks). Several potentially important, low sulfidation epithermal deposits have recently been discovered in the massif, including the Cerro Vanguardia deposit which has a reserve of greater than 3.2 million oz Au equivalent. Exploration by a number of companies is ongoing in the massif.

3. Santa Cruz Project Exploration

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

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Minera Andes has been actively exploring in the region since 1997. The properties have been acquired on the basis of geologic and geochemical reconnaissance. Geologic evaluation of these grassroots targets is ongoing.

4. Santa Cruz Project Ownership

We currently control 17 cateos and 30 manifestations of discovery (totaling 80,398 ha) in Santa Cruz province. Land holding costs for 2004 are estimated at $8,000.

D. Chubut Project Property Summary

1. Chubut Project Location

We currently hold 12 cateos and 19 manifestations of discovery in the Precordilleran and Patagonian Massif regions of Chubut totaling 41,460 ha. These properties are located at moderate elevations (300 to 1000 m above sea level) in central and western Chubut. Access to the properties is by dirt road and trail.

2. Chubut Project Geology

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

3. Chubut Project Exploration

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

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

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

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

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On the basis of fixed-wing overflights and general geological reconnaissance, an additional ten cateos were acquired in late 2002 in the northern Patagonian Massif and Precordilleran regions of Chubut. Expenditures in 2003 relate to an ongoing reconnaissance exploration program on these lands. A similar level of expenditure is planned for 2004.

4. Chubut Project Ownership

We currently control 12 cateos and 19 manifestations of discovery, totaling 41,460 ha, in Chubut province.

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

Summary

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

ITEM 3. LEGAL PROCEEDINGS

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

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

There were no matters submitted to a vote of security holders during the fourth quarter of the year ended December 31, 2003.

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PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

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

The high and low prices for the Common Shares reported by the TSX-V for each of the quarters during the years ended December 31, 2003 and 2002 are set forth in the table below:

		High ($Cdn)	Low ($Cdn)
2002	January - March	0.16	0.08
	April - June	0.44	0.13
	July - September	0.48	0.29
	October - December	0.44	0.25
2003	January - March	0.55	0.25
	April - June	0.31	0.25
	July - September	0.43	0.24
	October - December	0.65	0.31

The high and low prices for the Common Shares reported for the OTC Bulleting Board for each of the quarters during the years ended December 31, 2003 and December 31, 2002 are set forth in the table below:

		High ($US)	Low ($US)
2002	January - March	0.10	0.06
	April - June	0.29	0.08
	July - September	0.32	0.19
	October - December	0.30	0.18
2003	January - March	0.35	0.18
	April - June	0.25	0.18
	July - September	0.32	0.18
	October - December	0.51	0.24

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

As of December 31, 2003, there were approximately 366 holders of record of our Common Shares. No dividends have ever been paid on our Common Shares, and we intend to retain any earnings for use in the business and do not expect to pay dividends in the foreseeable future.

At December 31, 2003, 929,000 options were available for grant under our stock option plan (the Plan). The aggregate number of shares to be delivered upon exercise of all options granted under our stock options plan shall not exceed 20% of our issued and outstanding Common Shares up to a maximum of 6,000,000 shares. No participant may be granted an option under the Plan which exceeds the number of shares permitted to be granted pursuant to rules or policies of any stock exchange on which the Common Shares is then listed.

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

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	No. of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	No. of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	4,408,500	Cdn$ 0.47	929,000
Equity compensation plans not approved by security holders			
Total	4,408,500	Cdn$ 0.47	929,000

Recent Sale of Unregistered Securities

On November 13, 2003, we sold 22,000,000 units to accredited investors at a price of Cdn$0.30 per unit for an aggregate of Cdn$6,600,000 (US$5,023,978). 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$0.50 per share for a period of 60 months from the closing date. The agents for the offering were Canaccord Capital Corporation and Dundee Securities Corporation, with offers and sales in the United States made by Canaccord Capital U.S.A. The agents received cash commissions of 7% of the gross proceeds and agents warrants for the purchase of 2,200,000 common shares (10% of the aggregate number of units sold in the offering) at an exercise price of Cdn$0.35 per common share for a period of 24 months from the date of issue. In reliance on Rule 903 of Regulation S under the Securities Act of 1933, as amended (the Securities Act), units were offered and sold to purchasers outside of the United States subject

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

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

The following discussion should be read in conjunction with our audited consolidated financial statements and notes thereto for the years ended December 31, 2003 and 2002 which have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada. Differences from U.S. GAAP are described in Note 10 to the audited consolidated financial statements. Our financial condition and results of operations are not necessarily indicative of what may be expected in future years.

Overview

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

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

Our current properties and projects consist of mineral rights and applications for mineral rights covering approximately 199,875 hectares in three Argentine provinces. The lands comprise option-to-purchase contracts, exploration, and mining agreements and direct interests through our filings for exploration concessions. Our properties are all early stage exploration prospects, except for the San José property, which is an advanced-stage exploration project. No proven or probable reserves have yet been identified. See Description of Properties.

Through our subsidiaries and joint ventures we own a 49% equity interest in MSC, which owns the San José gold/silver property in Southern Argentina, and a 100% interest in over 10 mineral properties in Argentina. San José is currently in advanced exploration and underground development and a production decision is expected in the second half of 2004.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make a wide variety of estimates and assumptions that affect (i) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and (ii) the reported amounts of revenues and expenses during the reporting periods covered by the financial statements. Our management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increases, these judgments become even more subjective and complex. The most significant accounting policies that are most important to the portrayal of our current financial condition and results of operations relates to mineralization and deferred development costs. Other accounting policies are disclosed in Note 2 of Notes to Consolidated Financial Statements.

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

Business Strategy and Development

Our business and development strategy since our inception in 1994 has been to focus primarily on the acquisition and development of exploration stage gold/silver and copper properties in Argentina and on the exploration and development of these properties. Our current portfolio of properties consists of mineral rights and applications for mineral rights, covering approximately 199,875 hectares in three provinces in Argentina.

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

Given our developing mineral resource at San José, our partner, who owns a 51% interest in the project is currently carrying out technical studies to define a mineable reserve. At the San José project, our partner commenced underground exploration in 2003, and now expects to reach a production decision in the second half of 2004. If the production decision is positive we could attain gold production commencing in 2005. However, there can be no assurance that production decision will be positive and start-up can be completed as anticipated or that our production will be achieved.

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

Overview of 2003

Our financial condition showed an improvement during 2003 through the raising of funds through equity financing. Cash and cash equivalents at the end of 2003 was $2.2 million, an increase of $1.2 million from the end of 2002. Equity offerings and warrant and option exercises provided a net of $4.8 million during the year. In addition, several other significant milestones were achieved during 2003:

- We completed public equity offerings which provided a net $4.7 million;

We funded and maintained our 49% interest in the San José project;

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We acquired several new exploration land packages in southern Argentina;

Our partner in the San José project initiated an underground exploration program on the Huevos Verdes vein and continued engineering and geologic studies of the economic potential of the property;

We purchased an underlying royalty on the San José project, and canceled the operating agreement and production bonus;

In December we started an exploration program to drill our Los Azules porphyry copper/gold project in San Juan province Argentina, and;

We continued to pursue new growth opportunities.

Trends Affecting our Operations During 2003

Gold prices have now trended generally upward for nearly three years from a low of $256 in early April 2001 to $395 per ounce at March 12, 2004, an average annual increase of 16%. The higher gold price increased our ability to equity finance during 2003.

The market for gold company equities generally strengthened during 2003. Our common share price began the year at $0.29 and ended the year at $0.42. The increased interest in investing in gold and gold mining companies during the past two years has made exploration and development capital more readily available. As a result, we successfully raised $4.8 million of new equity funds during 2003 including option and warrant exercises. We used portions of the cash to make joint venture payments, acquire new exploration properties in Argentina, buy back royalties on future metal production and to fund exploration and development activities at the San José project and other projects in our property portfolio. In 2004 we anticipate using our cash to maintain our interest in the San José project, and to fund other exploration activities and for other general corporate purposes. We also expect we will have to raise additional funds to maintain our programs and interest in the San José project.

Plan of Operations

We have budgeted and plan to spend approximately $2.5 million on our mineral property and exploration activities and general and administrative expenses through 2004, with work being conducted on several properties including an ongoing reconnaissance program designed to make new acquisitions. See Description of Properties. In addition, there are plans to spend in excess of $5 million for exploration over the next 12 months on the San José project that is owned by MSC, an Argentine corporation owned by Minera Andes Inc. (49%) and MHC (51%). To maintain our 49% interest in MSC we will need to raise additional funds in 2004. If we cannot match MHC pro rata, we expect to have our interest in the San José project diluted in accordance with the joint venture agreement. Failure by either party to contribute to work programs will result in simple dilution of that party s interest in the project. If additional funds are raised during 2004 through the exercise of warrants or options, through a further equity financing, by the sale of property interests or by joint venture financing, additional exploration would be planned and carried out on our properties before year-end. If we were to develop a property or a group of properties beyond the exploration stage, substantial additional financing would be necessary. Such financing would likely be in the form of equity, debt, or a combination of equity and debt. There is no assurance that such financing, if necessary, would be available to us on favorable terms.

The Company has working capital of approximately $2.3 million, sufficient, together with funds from the joint venture on the San José property, as estimated by management, to cover its budgeted expenditures for mineral property and exploration activities on its properties outside the San José project in Argentina, and general and administrative expenses through at least the end of 2004.

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

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

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

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

In the fourth quarter 2003, we notified MHC of our intent to subscribe for additional equity in MSC, so as to maintain our 49% interest. We made a payment to MSC of $1.7 million that will fund our 49% interest in the San José project through MSC until about April of 2004.

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

The Operating Agreement was cancelled whereby management, accounting, office and technical services were provided to us;

A share bonus payable when a property reached a bankable feasibility was cancelled;

A potential underlying royalty on the San José project was also purchased.

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

In September 2003, Allan J. Marter, a financially competent person on the audit committee, resigned from the board of directors due to other obligations. To supplement his financial expertise, we utilized financial consultants, and we are seeking to add a new financial person to the board of directors.

Results of Operations

2003 compared to 2002

In 2003, our net loss was $1.5 million (4 cents per share), compared with a net income of $0.4 million (1 cent per share) in 2002. Our general and administrative costs were $1.5 million in 2003 compared to $0.5 million in 2002. The following table summarizes the significant changes in operations in 2003 compared to 2002.

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Description	2003	2002
Consulting Fees[1]	$ 418,730	$ 99,696
Foreign Exchange[2]	$ (74,005)	$ 24,225
Insurance[3]	$ 17,598	$ 5,319
Legal[4]	$ 199,133	$ 55,504
Office Overhead[5]	$ 148,345	$ 59,355
Telephone[6]	$ 28,869	$ 9,293
Travel[7]	$ 58,777	$ 22,446

Notes:

(1) There were additional consultants hired in 2003 to negotiate corporate strategy and merger and acquisition strategy. We also increased our public and investor relations program, which increased consultant fees. In addition, stock option compensation is expensed to consulting fees.
(2) We realized a gain in foreign exchange compared to a loss last year. This is mostly related to the effect of a weakening U.S. dollar offset by the associated impact on the value of cash equivalents invested in Canadian dollar instruments.
(3) We increased our directors and officers insurance in 2003 and there was also a substantial increase in our general liability insurance.
(4) Legal expenses increased this year due to merger and acquisition negotiations and the maintenance of our joint venture.
(5) Office overhead increased due to public and investor relation expense and moving our corporate headquarters.
(6) Telephone expense increased due to the addition of more consultants. In addition, merger and acquisition activities increased our phone expense.
(7) Travel expense increase was related to the public and investor relations program, equity financing and merger and acquisition activities.

In 2004 we will be continuing the prospecting, acquisition, exploration and evaluation of property interests that have been our hallmark since our inception, and we will focus on the Santa Cruz, Chubut and San Juan properties. As in the past, if a property or program does not meet our requirements in the future, costs associated with abandonment of the property or program will result in a charge to operations. For this reason, we may incur additional write-offs in future periods, although the amounts of such write-offs are difficult to predict, as they will be determined by the results of future exploration activities.

Mineral property and deferred exploration costs in 2003 amounted to $0.5 million compared to $0.3 million in 2002. We focused nearly all our available exploration resources on the San José project in Santa Cruz province during 2003, and the success of the exploration carried out on these properties over the last few years resulted in

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the joint venture arrangement which was signed March 15, 2001. We received mineral property option proceeds of $400,000 from the joint venture in 2003 and in 2002. In 2002, we sold two of our Chubut properties (Willimanco and Leleque) to Meridian Gold Inc. for $777,142. The properties were related to the purchase and sales agreement with Brancote Holding PLC, which merged with Meridian Gold Inc. in 2002. Meridian Gold Inc. became the surviving entity of the merger.

The following table summarizes the significant changes in exploration expense for 2003 compared to 2002.

Description	2003	2002
Consulting Fees[1]	$ 108,522	$ 40,943
Geology[2]	$ 89,845	$ 26,620
Legal[3]	$ 29,230	$ 16,193
Travel[4]	$ 78,222	$ 37,477
Project Overhead[5]	$ 8,018	$ 17,308

Notes:

(1) Our consulting fees increased in 2003 due to increased activities in MSC, our San José project joint venture company.
(2) Geology increased due to an expanded exploration program, and work on our projects.
(3) Legal fees increased due to maintenance of our joint venture interest in the San José project and land legal costs in Argentina.
(4) Travel increased due to an expanded exploration program.
(5) Project overhead decreased due to reduced rentals, and the reduction of overhead expense in Chubut province.

2002 compared to 2001

In 2002, our net income was $0.4 million (1 cent per share), compared with a net loss of $0.4 million (1 cent per share) in 2001. Income from the gain on sale of the Chubut properties was $0.9 million in 2002, which gave us our first net income. We also continued our cost savings program begun in 1999, with general and administrative costs of $0.5 million in 2001 and 2002. The foreign exchange loss was offset by savings in accounting and auditing, and insurance.

Mineral property and deferred exploration costs in 2002 amounted to $0.3 million compared to $0.2 million in 2001. We focused nearly all our available exploration resources on the San José project in Santa Cruz province during 2002, and the success of the exploration carried out on these properties over the last few years resulted in the joint venture arrangement which was signed March 15, 2001. We received mineral property option proceeds of $400,000 from the joint venture in 2002 and in 2001. In 2002, we sold two of our Chubut properties (Willimanco and Leleque) to Meridian Gold Inc. for $777,142. The properties were related to the purchase and sales agreement with Brancote Holding PLC, which merged with Meridian Gold Inc. in 2002. Meridian Gold Inc. became the surviving entity of the merger. In 2001 payments on the same Chubut properties totaled $150,000.

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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. Our lease obligations are as follows:

Contractual Obligations	Payments Due by Period
&n	