

**Notice to Reader – From Minera Andes Inc.**

The accompanying interim consolidated financial statements of Minera Andes Inc. have been prepared in accordance with Canadian Generally Accepted Accounting Principles for interim financial information/statements and accordingly do not include all disclosure required for annual financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered for a fair presentation have been included. Operating results for the nine month period ended September 30, 2009 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2009.

These interim consolidated financial statements should be read in conjunction with the audited year-end consolidated financial statements as at and for the year ended December 31, 2008. The accounting policies and methods have not changed since the audited year-end consolidated financial statements were prepared, except as described in note 4a to these interim consolidated financial statements.

**MINERA ANDES INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(U.S. Dollars - Unaudited)**

	<b>September 30,</b>	<b>December 31, 2008</b>
	<b>2009</b>	<b>(Restated - Note 11)</b>
<b>ASSETS</b>		
Current:		
Cash and cash equivalents	\$20,884,927	\$3,409,593
Receivables and prepaid expenses	112,500	315,962
Project loan interest receivable (Note 6)	6,940,531	4,983,680
Total current assets	27,937,958	8,709,235
Project loan receivable (Note 6)	31,850,000	31,850,000
Mineral properties and deferred exploration costs (Note 5)	18,186,758	16,390,524
Investment in Minera Santa Cruz (Note 6)	87,929,685	81,034,075
Equipment, net	22,094	31,456
Total assets	\$165,926,495	\$138,015,290
<b>LIABILITIES</b>		
Current:		
Accounts payable and accruals	\$2,869,336	\$3,121,013
Project loan interest payable (Note 6)	6,940,531	4,983,680
Bank loan (Note 7)	-	16,455,267
Related party payable (Note 6)	-	11,270,000
Total current liabilities	9,809,867	35,829,960
Project loan payable (Note 6)	31,850,000	31,850,000
Asset retirement obligation	135,000	90,000
Total liabilities	41,794,867	67,769,960
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8):		
Preferred shares, no par value, unlimited number authorized, none issued		
Common shares, no par value, unlimited number authorized		
Issued September 30, 2009—262,298,851 shares	147,849,149	99,652,302
Issued December 31, 2008—190,158,851 shares		
Contributed surplus	21,812,097	18,020,608
Accumulated deficit	(45,529,618)	(47,427,580)
Total shareholders' equity	124,131,628	70,245,330
Total liabilities and shareholders' equity	\$165,926,495	\$138,015,290

Commitments and contingencies (Notes 7 and 9)

Going concern (Note 2)

Approved by the Board of Directors:

/s/ Robert R. McEwen  
Robert R. McEwen, President, Chief  
Executive Officer and Executive Chairman

/s/ Allan J. Marter  
Allan J. Marter, Director

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

**MINERA ANDES INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS),**  
**AND ACCUMULATED DEFICIT**  
**(U.S. Dollars - Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30, 2009	September 30, 2008 (Restated - Note 11)	September 30, 2009	September 30, 2008 (Restated - Note 11)
Income (loss) on Investment in MSC (Note 6)	\$5,957,775	(\$709,530)	\$8,672,593	\$11,953,712
Less amortization of deferred costs (Notes 6 and 11)	(302,000)	(186,000)	(807,000)	(512,000)
Net income (loss) on Investment in MSC (Note 6)	5,655,775	(895,530)	7,865,593	11,441,712
Consulting fees	116,971	256,900	764,257	687,958
General and administrative (Note 11)	331,461	539,205	2,484,896	1,798,685
Wages and benefits (Note 8 (c))	502,271	418,236	1,480,347	1,471,367
Expenses before under-noted	950,703	1,214,341	4,729,500	3,958,010
Foreign exchange loss (gain)	(508,486)	300,052	106,823	403,268
Interest income	(6,661)	(53,450)	(17,409)	(261,665)
Rental of access roads on construction property	-	(122,600)	-	(122,600)
Interest expense and accretion of debt discount (Note 7)	-	693,331	523,480	2,094,466
Project loan interest expense (Note 6)	659,452	661,476	1,956,851	1,966,476
Project loan interest income (Note 6)	(659,452)	(661,476)	(1,956,851)	(1,966,476)
Accretion on early settlement of debt (Note 7)	-	-	619,856	-
Write-off of mineral properties and deferred exploration costs (Note 5)	-	658	4,061	3,165
Total expenses	435,556	2,032,332	5,966,311	6,074,644
Net income (loss) and comprehensive income (loss) for the period	5,220,219	(2,927,862)	1,899,282	5,367,068
Accumulated deficit, beginning of period	(50,749,452)	(35,427,534)	(47,427,580)	(43,663,893)
	(45,529,233)	(38,355,396)	(45,528,298)	(38,296,825)
Share issue costs	(385)	(18,198)	(1,320)	(76,769)
Accumulated deficit, end of period	(\$45,529,618)	(\$38,373,594)	(\$45,529,618)	(\$38,373,594)
Basic income (loss) per common share (Note 8)	0.02	(0.02)	0.01	0.03
Diluted income (loss) per common share (Note 8)	0.02	(0.02)	0.01	0.03

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

**MINERA ANDES INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(U.S. Dollars - Unaudited)**

	Common Stock		Contributed	Accumulated Other Comprehen- sive Income	Accumulated Deficit	Total
	#	\$	\$	\$	\$	\$
Balance, December 31, 2007	180,974,912	88,512,349	16,007,350	-	(43,663,893)	60,855,806
Private placement	7,778,023	11,799,405	-	-	-	11,799,405
Private placement	427,000	663,836	-	-	-	663,836
Exercise of stock options	260,000	202,157	-	-	-	202,157
Exercise of warrants	718,916	313,804	-	-	-	313,804
Fair value of warrants granted for private placement	-	(1,293,340)	1,293,340	-	-	-
Fair value of agent's options and warrants granted for private placement	-	(159,959)	159,959	-	-	-
Agent option valuation on exercise of options	-	164,674	(164,674)	-	-	-
Warrant valuation on exercise of options	-	83,413	(83,413)	-	-	-
Share issue costs	-	(634,037)	-	-	(89,355)	(723,392)
Stock based compensation	-	-	808,046	-	-	808,046
Net loss for the year	-	-	-	-	(3,674,332)	(3,674,332)
Balance, December 31, 2008	190,158,851	99,652,302	18,020,608	-	(47,427,580)	70,245,330
Private placement (Note 8b (i.))	40,000,000	31,950,960	-	-	-	31,950,960
Proceeds from short form prospectus financing (Note 8b (ii.))	30,705,000	20,995,311	-	-	-	20,995,311
Short form prospectus financing share issue costs	-	(1,157,881)	(280,958)	-	-	(1,438,839)
Fair value of warrants granted for short form prospectus financing (Note 8b (ii.))	-	(4,496,738)	4,496,738	-	-	-
Exercise of stock options (Note 8c)	1,435,000	703,927	-	-	-	703,927
Fair value of stock options exercised (Note 8c)	-	589,231	(589,231)	-	-	-
Stock based compensation (Note 8c)	-	-	164,940	-	-	164,940
Share issue costs (Note 8b(i.))	-	(387,963)	-	-	(1,320)	(389,283)
Net income for the period	-	-	-	-	1,899,282	1,899,282
Balance, September 30, 2009	262,298,851	147,849,149	21,812,097	-	(45,529,618)	124,131,628

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

**MINERA ANDES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(U.S. Dollars - Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30, 2009	September 30, 2008 (Restated - Note 11)	September 30, 2009	September 30, 2008 (Restated - Note 11)
Operating Activities:				
Net income (loss) for the period	\$5,220,219	(\$2,927,862)	\$1,899,282	\$5,367,068
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
(Income) loss from Investment in MSC (Note 6)	(5,957,775)	709,530	(8,672,593)	(11,953,712)
Amortization of deferred costs (Notes 6 and 11)	302,000	186,000	807,000	512,000
Project loan interest expense (Note 6)	659,452	661,476	1,956,851	1,966,476
Project loan interest income (Note 6)	(659,452)	(661,476)	(1,956,851)	(1,966,476)
Accretion on settlement of debt (Note 7)	-	-	619,856	-
Interest expense, accretion of debt discount (Note 7)	-	472,686	424,877	1,376,234
Write-off of deferred exploration costs		657	4,061	3,165
Depreciation	1,064	1,373	4,042	3,713
Stock based compensation (Note 8)	62,909	261,500	164,940	977,500
Change in:				
Accounts receivable and prepaid expenses	21,962	10,569	203,463	215,101
Accounts payable and accrued expenses	(366,274)	5,886	174,460	(1,333,516)
Cash used in operating activities	(715,895)	(1,279,661)	(4,370,612)	(4,832,447)
Investing Activities:				
Purchase of equipment	(1,372)	(1,400)	(1,372)	(8,784)
Mineral properties and deferred exploration	(279,187)	(1,283,141)	(1,748,604)	(6,442,453)
Changes in due to related party, MSC cash call	-	-	(11,270,000)	(16,905,000)
Investment in Minera Santa Cruz	-	-	575,750	(40,317)
Cash used in investing activities	(280,559)	(1,284,541)	(12,444,226)	(23,396,554)

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

**MINERA ANDES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS - continued**  
**(U.S. Dollars - Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30, 2009	September 30, 2008 (Restated - Note 11)	September 30, 2009	September 30, 2008 (Restated - Note 11)
Financing Activities:				
Shares and subscriptions issued for cash, less issue costs	20,034,105	72,268	51,822,077	12,046,825
Bank loan interest payable (Note 7)	-	28,254	(31,905)	23,559
Repayment of bank loan (Note 7)	-	-	(17,500,000)	-
Project loan receivable (Note 6)	659,452	661,476	1,956,851	1,966,476
Project loan payable (Note 6)	(659,452)	(661,476)	(1,956,851)	(1,966,476)
Cash provided by financing activities	<u>20,034,105</u>	<u>100,522</u>	<u>34,290,172</u>	<u>12,070,384</u>
Increase (decrease) in cash and cash equivalents	19,037,651	(2,463,680)	17,475,334	(16,158,617)
Cash and cash equivalents, beginning of period	<u>1,847,276</u>	<u>9,406,198</u>	<u>3,409,593</u>	<u>23,101,135</u>
Cash and cash equivalents, end of period	<u><u>\$20,884,927</u></u>	<u><u>\$6,942,518</u></u>	<u><u>\$20,884,927</u></u>	<u><u>\$6,942,518</u></u>
Supplementary disclosure cash flow information:				
Income taxes paid	\$ -	\$ -	\$ -	\$ -
Interest paid	\$ -	\$ 693,331	\$ 98,603	\$ 2,094,466

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

**MINERA ANDES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(U.S. Dollars - Unaudited)**

**1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

Minera Andes Inc. (“Minera Andes” or the “Corporation”) is in the business of acquiring, exploring and evaluating mineral properties, and based on the results of such evaluation, either developing these properties further (by way of joint venture or otherwise) or disposing of them.

The Corporation’s assets are comprised primarily of (i) a 49% equity interest in Minera Santa Cruz S.A. (“MSC”) which owns the San José gold/silver mine in the Santa Cruz province of Argentina (the San José Mine”); plus (ii) interests in exploration stage properties in the San Juan, the Santa Cruz and the Chubut provinces of Argentina, including in particular the Los Azules project.

The San José Mine is a joint venture between the Corporation and Hochschild Mining plc pursuant to which title to the assets is held by MSC, an Argentinean corporation. MSC is owned, as to 49%, by Minera Andes S.A. (“MASA”), an indirect wholly-owned subsidiary of Minera Andes and, as to 51%, by Hochschild Mining (Argentina) Corporation S.A., a subsidiary of Hochschild Mining plc (together with its affiliates and subsidiaries, “Hochschild”). The San José Mine entered into production in 2008 and is operated by Hochschild.

Our share of earnings (investment income) or losses from the San José Mine is included in our consolidated statement of operations and the balance of the investment is adjusted on the consolidated balance sheet by a like amount. Our investment income or losses consist of our 49% share of the net profit or net loss of the operations of the San José Mine, accounted for on an equity basis.

The Los Azules Copper Project is an advanced-stage exploration project located in San Juan Province, Argentina (the “Project”).

Under the terms of an option agreement between Minera Andes and Xstrata Copper (“Xstrata”) (and their respective affiliates) dated November 2, 2007 (the “Option Agreement”), Xstrata granted Minera Andes the right to earn-in and acquire a 100% interest in certain Xstrata properties (the “Xstrata Properties”) adjacent to Minera Andes’ properties (“Earn-in Option”) upon satisfaction of certain conditions, including delivery of a scoping study/preliminary assessment. Minera Andes exercised the Earn-in Option on May 29, 2009.

The Option Agreement also provided that Xstrata would have a one-time option to back-in to a 51% interest in the Project (the “Back-in Right”) upon, among other things, payment to the Corporation of an amount equal to three times the amount of Minera Andes’ direct exploration expenditures on the Project since November 25, 2005. Xstrata had until October 1, 2009 to notify Minera Andes if it would exercise the Back-in Right. Xstrata did not exercise the Back-in Right, and consequently, Xstrata has transferred the Xstrata Properties to an Argentine subsidiary of Minera Andes. Minera Andes, through its wholly owned subsidiaries, now holds 100% of the Project.

Certain of the Xstrata Properties formerly held by Xstrata and transferred to the Corporation pursuant to the Option Agreement remain subject to an underlying option agreement between Xstrata and Solitario Argentina S.A. (“Solitario”), whereby Solitario has the right to back-in to up to 25% of the properties covered by the underlying option agreement (the “Solitario Agreement”), exercisable by Solitario upon the satisfaction of certain conditions within 36 months of Xstrata exercising the option. The Solitario Agreement is the subject of a dispute between Xstrata and Solitario commenced by Solitario’s parent company against Xstrata in the Supreme Court of British Columbia. The dispute surrounds the validity of the 36-month time limit described above. If Solitario is successful, the Corporation’s interest in certain of the Xstrata Properties may be

**MINERA ANDES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(U.S. Dollars - Unaudited)**

**1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION- continued**

reduced by up to 25%. Minera Andes is not a party to the litigation.

**2. GOING CONCERN, FINANCIAL CONDITION, AND LIQUIDITY**

As at September 30, 2009, the Corporation had an accumulated deficit of \$45.5 million and working capital of approximately \$18.1 million.

The operation of the San José Mine is subject to a number of risks, including the risk that the price of gold and silver may decline. If, and to the extent that cash from operations is insufficient for any reason including cost-overruns and/or lower than expected sales or production, additional investment by the shareholders of MSC (including the Corporation) may be required. As a result, there can be no assurance that cash from operations at the San José Mine will be sufficient for these purposes, that additional cash calls will not be made or that the Corporation will be able to satisfy any such cash call, as and when required.

With the exception of its interest in the San José Mine, the Corporation is in the process of exploring its other properties and has not yet determined whether these properties, other than the San José Mine, contain reserves that are economically recoverable. The amounts shown on the Corporation's balance sheet as mineral properties and deferred exploration costs represent net costs incurred to date, less amounts recovered from third parties and/or written off, and do not necessarily represent present or future values. The recoverability of amounts shown on the balance sheet for mineral properties and deferred exploration costs depend upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining the financing required to explore and develop the properties, entering into agreements with others to explore and develop the mineral properties, and upon future profitable production or proceeds from disposition of the mineral properties. In the future, the Corporation's ability to continue its exploration activities, if any, will depend in part on the Corporation's ability to generate material revenues or to obtain financing through issuance of equity securities, debt financing, joint venture arrangements or other means.

Year to date the Corporation has been successful in funding the repayment of its debt obligations and working capital requirements through the issuance of stock for gross proceeds of a C\$40 million private placement and the C\$20 million common share offering (Note 8b(ii)) discussed below. The Corporation is currently investigating all financing options available to it in order to raise sufficient amounts, in the short term and the long term, to maintain the Corporation's ability to meet its planned growth and to fund its development and exploration activities. However, although we have been successful in securing financing in the past, current global financial conditions including volatility in the prices for all commodities, the lack of public financing, the liquidity crisis caused by the default on sub-prime mortgages and asset backed securities, and market turmoil combined with our current financing condition may make it difficult for us to secure the required financing on reasonable terms or, at all. The Corporation's failure to meet its ongoing obligations on a timely basis could result in the loss or substantial dilution of the Corporation's interests (as existing or as proposed to be acquired) in its properties.

Accordingly, there is no assurance that the Corporation will be successful in these financing activities. Our ability to continue in operation is dependent on our ability to receive cash flow from operations and/or secure financing. In the event the Corporation does not receive cash flow from operations or secure financing, there is doubt about our ability to continue as a going concern. The Corporation's financial statements do not include the adjustments that would be necessary should the Corporation be unable to continue as a going concern.

**MINERA ANDES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(U.S. Dollars - Unaudited)**

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying interim consolidated financial statements of Minera Andes Inc. have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information/statements and accordingly do not include all disclosure required for annual financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered for a fair presentation have been included. Operating results for the nine month period ended September 30, 2009 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2009.

These interim consolidated financial statements should be read in conjunction with the audited year-end consolidated financial statements as at and for the year ended December 31, 2008. The accounting policies and methods have not changed since the audited year-end consolidated financial statements the Corporation prepared, except as described in note 4a to these interim consolidated financial statements.

**4. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS**

**a. Accounting Policies Implemented Effective January 1, 2009**

**Goodwill and Intangible Assets**

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Concurrent with the introduction of this standard, the CICA withdrew EIC-27, "Revenues and Expenses During the Pre-operating Period".

The changes are effective for interim and annual financial statements beginning January 1, 2009. The adoption of this accounting policy did not have any impact on the Corporation's consolidated financial statements for the periods ended September 30, 2009.

**Mining Exploration Costs**

On March 27, 2009 the Emerging Issues Committee of the CICA issued EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets, in general. The Corporation applied this new abstract commencing in the period ended March 31, 2009; however, there was no impact on the financial statements as a result of applying this abstract.

**Credit Risk and the Fair Value of Financial Assets and Financial Liabilities**

In January 2009 the EIC issued EIC-173. In this EIC, the Committee reached a consensus that in determining the fair value of financial assets and financial liabilities an entity should take into account the credit risk of the entity and the counterparty.

**b. Recent Accounting Pronouncements**

**Business Combinations**

In January 2009, the Accounting Standards Board (AcSB) issued the following new Handbook sections: 1582 – Business Combinations, 1601 – Consolidations, and 1602 – Non-Controlling Interests. These standards are to be applied prospectively to business

**MINERA ANDES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(U.S. Dollars - Unaudited)**

**4. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS – continued**

**b. Recent Accounting Pronouncements – continued**

**Business combinations - continued**

combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Corporation has not yet determined the impact of the adoption of these standards on its consolidated financial statements.

**Financial instruments**

In June 2009, the CICA amended Handbook Section 3862 – Financial Instruments – Disclosures to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises. The amendments are applicable for the Corporation’s annual consolidated financial statements for its fiscal year ending December 31, 2009.

In June 2009, the CICA amended Section 3855 to clarify the application of the effective interest method after a debt instrument has been impaired and when an embedded prepayment option is separated from its host debt instrument at initial recognition for accounting purposes. The amendments are applicable for the Corporation’s interim and annual financial statements for its fiscal year beginning January 1, 2011. Earlier adoption is permitted.

**5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS**

**2009 COSTS BY PROPERTY – for the nine months ended September 30, 2009**

Description	San Juan		Santa		Total
	Los Azules	San Juan	Cruz Cateos	Chubut Cateos	
Balance, beginning of period	\$13,320,948	\$353,200	\$2,706,376	\$10,000	\$16,390,524
Assays and analytical	-	19,718	22,040	-	41,758
Consulting fees	45,619	-	-	-	45,619
Depreciation	1,049	500	2,642	-	4,191
Equipment Rental	-	-	344,110	-	344,110
Geology	364,778	58,265	342,942	5,042	771,027
Legal	79,412	-	-	-	79,412
Maintenance	1,706	1,075	9,082	-	11,863
Materials and supplies	5,151	13,868	62,755	-	81,774
Project overhead	16,592	6,212	13,956	-	36,760
Property and mineral rights	158,049	11,415	41,165	5,202	215,831
Telephone	413	1,353	9,948	-	11,714
Travel	23,823	7,509	51,377	-	82,709
Wages and benefits	28,702	8,203	36,622	-	73,527
Write-off of deferred costs	-	-	-	(4,061)	(4,061)
Balance, end of period	\$14,046,242	\$481,318	\$3,643,015	\$16,183	\$18,186,758

**MINERA ANDES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(U.S. Dollars - Unaudited)**

**5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS -continued**

**San Juan Project**

The San Juan Project comprises four properties (2008 – four properties), which includes Los Azules in southwestern San Juan province. At present, these lands are not subject to a royalty; however, the government of San Juan has not waived its rights to retain up to a three percent "mouth of mine" royalty from production. Land holding costs for 2009 are estimated at \$20,000.

Expenditures in the first three quarters of 2009 were primarily for the Los Azules project and the 2008 expenses were primarily for an on-going exploration program at the Los Azules project.

The Los Azules Copper Project is an advanced-stage exploration project located in San Juan Province, Argentina (the "Project").

Under the terms of an option agreement between Minera Andes and Xstrata Copper ("Xstrata") (and their respective affiliates) dated November 2, 2007 (the "Option Agreement"), Xstrata granted Minera Andes the right to earn-in and acquire a 100% interest in certain Xstrata properties (the "Xstrata Properties") adjacent to Minera Andes' properties ("Earn-in Option") upon satisfaction of certain conditions, including delivery of a scoping study/preliminary assessment. Minera Andes exercised the Earn-in Option on May 29, 2009.

The Option Agreement also provided that Xstrata would have a one-time option to back-in to a 51% interest in the Project (the "Back-in Right") upon, among other things, payment to the Corporation of an amount equal to three times the amount of Minera Andes' direct exploration expenditures on the Project since November 25, 2005. Xstrata had until October 1, 2009 to notify Minera Andes if it would exercise the Back-in Right. Xstrata did not exercise the Back-in Right, and consequently, Xstrata has transferred the Xstrata Properties to an Argentine subsidiary of Minera Andes. Minera Andes, through its wholly owned subsidiaries, now holds 100% of the Project.

Certain of the Xstrata Properties formerly held by Xstrata and transferred to the Corporation pursuant to the Option Agreement remain subject to an underlying option agreement between Xstrata and Solitario Argentina S.A. ("Solitario"), whereby Solitario has the right to back-in to up to 25% of the properties covered by the underlying option agreement (the "Solitario Agreement"), exercisable by Solitario upon the satisfaction of certain conditions within 36 months of Xstrata exercising the option. The Solitario Agreement is the subject of a dispute between Xstrata and Solitario commenced by Solitario's parent company against Xstrata in the Supreme Court of British Columbia. The dispute surrounds the validity of the 36-month time limit described above. If Solitario is successful, the Corporation's interest in certain of the Xstrata Properties may be reduced by up to 25%. Minera Andes is not a party to the litigation.

**Santa Cruz Projects**

We currently control 3 (2008 – 15) cateos and 37 (2008 – 29) manifestations of discovery in the Santa Cruz province. Land holding costs for 2009 are estimated at \$10,000. We have been actively exploring in the region since 1997. The properties have been acquired on the basis of geologic and geochemical reconnaissance.

Expenditures in 2009 and 2008 relate to land acquisition and reconnaissance geologic surveys on the acquired properties. Geologic evaluation of these targets is ongoing.

**6. INVESTMENT IN MINERA SANTA CRUZ (MSC) – San José Mine**

MSC is owned, as to 49%, by MASA, an indirect wholly-owned subsidiary of Minera Andes Inc. and, as to 51%, by Hochschild.

**MINERA ANDES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(U.S. Dollars - Unaudited)**

**6. INVESTMENT IN MINERA SANTA CRUZ (MSC) – San José Mine – continued**

The Corporation's interest in, and the affairs of, MSC are governed by an Option and Joint Venture Agreement dated March 15, 2001 between MASA and Hochschild, as amended by agreements dated May 14, 2002, August 27, 2002 and September 10, 2004, the ("OJVA").

Under the OJVA we are entitled to appoint one of the three members of the Board of Directors of MSC and Hochschild is entitled to appoint the balance of the members of the Board of Directors of MSC. The OJVA grants us a "veto" in respect of certain and very limited matters regarding the affairs of MSC and the operation of the San José Mine. Although we are permitted to vote against or otherwise disagree with decisions made by Hochschild in respect of the San José Mine, many decisions have been made, notwithstanding our express disagreement.

In particular, we have a limited, if any, ability to control the timing or amount of cash calls and decisions made in that regard may have an adverse affect on our operations and financial position as there can be no assurance that if made, we will have the funds available to satisfy any such cash call when due and that our interest in the San José Mine will not be reduced as a result.

The investment in MSC is comprised of the following:

	<b>September 30, 2009</b>	<b>December 31, 2008</b>
Investment in MSC,		
beginning of period January 1:	\$ 81,034,075	\$ 64,726,565
Income from equity investment	5,572,592	1,965,238
Amortization of pre 2008 capitalized interest on MSC loans	859,229	798,000
Interest expensed by MSC and included in equity method pickup	2,240,772	2,953,955
Income on Investment in MSC	8,672,593	5,717,193
Less:		
Amortization of deferred costs (Note 15)	(807,000)	(720,000)
Advances returned during the period	(575,750)	-
Derecognition of deferred costs	(394,233)	-
Plus:		
Advances during the period	-	11,310,317
Investment in MSC, end of period	\$ 87,929,686	\$ 81,034,075

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**6. INVESTMENT IN MINERA SANTA CRUZ (MSC) – San José Mine – continued**

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30, 2009</u>	<u>September 30, 2008</u>	<u>September 30, 2009</u>	<u>September 30, 2008</u>
Summary of MSC's financial information from operations:				
Sales	\$ 46,107,465	\$ 18,526,942	\$ 108,193,284	\$ 91,680,644
Net income - MSC	<u>9,959,675</u>	<u>(3,378,294)</u>	<u>11,372,636</u>	<u>18,717,532</u>
Minera Andes Inc. portion (MAI) - 49%	4,880,241	(1,655,364)	5,572,592	9,171,591
Equity adjustments:				
Interest expensed by MSC and included in the equity method pickup	779,305	739,834	2,240,772	2,214,121
Amortization of pre 2008 capitalized interest on MSC loans	<u>298,229</u>	<u>206,000</u>	<u>859,229</u>	<u>568,000</u>
Income on Investment in MSC	5,957,775	(709,530)	8,672,593	11,953,712
Less amortization of MAI deferred capitalized costs	<u>(302,000)</u>	<u>(186,000)</u>	<u>(807,000)</u>	<u>(512,000)</u>
Net income on investment in MSC	<u>\$ 5,655,775</u>	<u>\$ (895,530)</u>	<u>\$ 7,865,593</u>	<u>\$ 11,441,712</u>

Our share of earnings and losses from our investment in MSC is included in the consolidated statement of operations and is equal to 49% of the above net income of \$4,880,241 for the three months ended September 30, 2009, and (\$1,655,364) for the three months ended September 30, 2008.

As at December 31, 2008 there was a cash call of \$11,270,000, which was paid in February 2009.

Project financing for the San José Mine has been primarily provided pursuant to a letter agreement dated October 10, 2006 (as amended by agreements dated October 17, 2006, October 24, 2006, January 5, 2007, January 25, 2007, February 26, 2007, February 28, 2007, March 29, 2007, April 26, 2007 and June 29, 2007, the "Project Loan Letter Agreement") between the Corporation, MSC and by assignment, Hochschild Mining Holdings Limited (the "Hochschild Lender"), an affiliate of Hochschild Mining plc.

Under the Project Loan Letter Agreement, the Hochschild Lender and the Corporation agreed to provide MSC with an unsecured bridge loan in the aggregate amount of \$20 million (the "Bridge Loan"). The Project Loan Letter Agreement provides that the Bridge Loan was to be structured as loans to MSC by each of the Corporation and the Hochschild Lender, in each case, in amounts proportionate to the shareholdings of the Corporation and Hochschild in MSC.

The Project Loan Letter Agreement, further provides that the loan to be made by the Corporation to MSC would be structured as (i) a loan by the Hochschild Lender to the Corporation (the "Project Loan Payable"); and (ii) a corresponding loan by the Corporation to MSC (the "Project Loan Receivable"). As a result, the Bridge Loan was made by way of (i) a loan by the Hochschild Lender to MSC in an amount equal to 51% of the amount of the Bridge Loan; (ii) a loan by the Hochschild Lender to the Corporation in an amount equal to 49% of the amount of the Bridge Loan; and (iii) a corresponding loan by the Corporation to MSC in the same amount and on the same terms as the preceding loan by the Hochschild Lender to the Corporation. Both the Project Loan Payable and the Project Loan Receivable bear interest at the same rate and upon the same

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**6. INVESTMENT IN MINERA SANTA CRUZ (MSC) – San José Mine – continued**

terms (including repayment).

The Project Loan Letter Agreement also provides for a permanent secured project loan in the aggregate amount of \$65 million (the “Project Loan”), structured in the same manner as the Bridge Loan, and replacing the Bridge Loan, to be documented in definitive agreements, which, have not yet been entered into.

Amounts advanced under the Project Loan Letter Agreement by the Hochschild Lender to the Corporation and then by the Corporation to MSC are currently unsecured except that, as security for the loan made by the Hochschild Lender to the Corporation, the Corporation has pledged to the Hochschild Lender, its right to the repayment of the corresponding loans made by the Corporation to MSC.

The current drafts of the definitive agreements (the “Draft Loan Documents”) and the Project Loan Letter Agreement provide that the Project Loan will be secured by a security interest granted by MSC in favour of the Hochschild Lender and the Corporation in certain MSC bank accounts. In addition, under the Draft Loan Documents, the Corporation will be required to (i) continue to pledge, to the Hochschild Lender, the Corporation’s right to receive repayment of the loans made by the Corporation to MSC; and (ii) grant to the Hochschild Lender a security interest in the Corporation’s security interest in MSC’s bank accounts. The Corporation will also be required to direct MSC to pay all amounts owing by it to the Corporation directly to the Hochschild Lender with such amounts being concurrently applied against amounts owing by MSC to the Corporation and the corresponding amounts owing by the Corporation to the Hochschild Lender.

The Hochschild Lender and MSC have agreed that until the definitive agreements are finalized, no payment of interest or principal will be due.

The Project Loan currently bears fixed interest at LIBOR plus 2.50% as of the inception of the loan. The interest rates are 7.86% on \$9,800,000 and 8.21% on \$22,050,000. It has been agreed that once the definitive agreements are finalized, interest will increase to LIBOR plus 2.85% and will be subject to interest rate fluctuations.

As at September 30, 2009, and December 31, 2008, the entire Project Loan (\$65 million), had been advanced. The Corporation’s 49% share of the Project Loan was \$31.85 million<sup>(1)</sup>. Therefore, the Corporation has recorded the Project Loan Payable and the Project Loan Receivable in offsetting amounts. The project loan receivable/payable was advanced to MSC by Hochschild on the Corporation’s behalf. The related interest income/expense will be paid to the Hochschild Lender by MSC on the Corporation’s behalf.

<sup>(1)</sup> The Corporation’s obligations under the Project Loan Payable are offset by corresponding obligations under the Project Loan Receivable, including repayment and interest. Terms of payment have not yet been finalized.

**7. BANK LOAN**

In October 2007, we entered into the second amended and restated credit agreement dated as of October 22, 2007 (the “Macquarie Credit Agreement”) with Macquarie Bank Limited (“Macquarie”), under which Macquarie made two non-revolving term loans to us, in the aggregate principal amount \$17.5 million. The first non-revolving term loan was in the principal amount of \$7.5 million (the “First Loan”) of which \$5.9 million was for the development of the San José Mine and \$1.6 million was for general purposes. The second non-revolving term loan was in the

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**7. BANK LOAN – continued**

aggregate principal amount of \$10 million (the “Second Loan” and together with the First Loan, the “Bank Loan”) of which \$8.6 million was for the development of the San José Mine and \$1.4 million was for general purposes.

The commercial terms of the First Loan included a facility fee of 1.5% of the principal amount and interest of LIBOR plus 2% per annum. In addition, the Corporation issued Macquarie share purchase warrants to acquire 4,227,669 common shares of the Corporation at an exercise price of C\$2.06 per share. The warrant exercise price was calculated at a 25% premium to the volume weighted average of the Corporation’s common shares determined from the twenty business days prior to February 21, 2007. Each warrant was exercisable for two years. The warrants and the underlying common shares had a four month hold period. The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield – Nil; risk free interest rate – 3.87%; expected volatility of 59.18% and an expected life of 24 months. The difference between the allocated fair value of the warrants and the face value of the First Loan of \$1,731,100 was initially recorded as a debt discount with a corresponding entry to contributed surplus. A success fee of \$75,000, being 1% of the principal amount of the First Loan, was paid to Xystus Limited for assisting with the structuring and negotiation of the First Loan. On March 7, 2009, the 4,227,669 purchase warrants were not exercised and expired.

The commercial terms of the Second Loan included a facility fee of 1.5% of the principal amount, interest of LIBOR plus 2.75% per annum and a maturity date of September 30, 2009. In addition, the Corporation issued Macquarie share purchase warrants to acquire 4,066,390 common shares of the Corporation at an exercise price of C\$2.41 per share. The warrant exercise price was calculated at a 20% premium to the volume weighted average of the Corporation’s common shares determined from the twenty business days prior to October 22, 2007. Each warrant is exercisable until September 30, 2009. The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield – Nil; risk free interest rate – 4.12%; expected volatility of 62.35% and an expected life of 24 months. The difference between the allocated fair value of the warrants and the face value of the Second Loan of \$1,925,200 was initially recorded as a debt discount with a corresponding entry to contributed surplus. The warrants and the underlying common shares had a hold period until February 25, 2008. A success fee of \$100,000, being 1% of the principal amount of the Second Loan, was paid to Xystus Limited for assisting with the structuring and negotiation of the Second Loan. On September 30, 2009, the 4,066,390 purchase warrants were not exercised and expired.

During the nine months ended September 30, 2009, interest expense on the Bank Loan was \$523,480 of which, \$98,603 was payable in cash and accreted interest of \$424,877. For the nine months ended September 30, 2008, interest expense incurred on the Bank Loan was \$718,046, and accreted interest expense related to the debt discount of \$1,376,235 was expensed. All interest expense has been expensed during 2009 and 2008.

In February 2009, the Corporation completed a private placement with Robert R. McEwen (Note 8b(vi)), related party and a director of Minera Andes and the Corporation’s largest shareholder pursuant to which Mr. McEwen purchased 40 million shares of Minera Andes for C\$40 million.

On March 4, 2009 the Corporation repaid all amounts owing by it to Macquarie Bank Limited in respect of the Bank Loan in the aggregate principal amount of \$17.5 million.

On the repayment of the Bank Loan, the unamortized debt accretion, \$619,856, was recognized as an accretion on the settlement of the debt in the consolidated financial statements.

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**8. SHARE CAPITAL**

**a. Authorized**

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

**b. Changes to Share Capital – Issued, Allotted, and/or Subscribed - continued**

- i. In February 2009, Mr. McEwen agreed to complete a private placement in two tranches totaling C\$40 million designed to alleviate the Corporation's financial pressures (the "McEwen Financing"). First, on February 18, 2009 Mr. McEwen purchased 18,299,970 common shares of the Corporation at a price of C\$1.00 per share for proceeds to the Corporation of C\$18.3 million (\$14.5 million), of which \$11.3 million was used to satisfy the cash call made in respect of the Corporation's 49% interest in the San José Mine.

Second, on February 26, 2009 Mr. McEwen purchased 21,700,030 common shares of the Corporation for C\$21.7million (\$17.4 million), by completing another private placement to repay the Bank Loan in the aggregate principal amount of \$17.5 million.

The total share issue costs related to the McEwen Financing was \$387,963

- ii. During the period the Corporation entered into an agreement with a Canadian investment dealer (the "Lead Underwriter") pursuant to which the Lead Underwriter and a syndicate of underwriters (collectively, the "Underwriters") agreed to purchase for resale to the public and Minera Andes agreed to issue 26,700,000 units, on a "bought deal" basis, at a price of C\$0.75 per unit (the "Offering") equivalent to C\$20 million. In addition, the Corporation agreed to grant the Lead Underwriter an option (the "Over-Allotment Option") to purchase additional units of Minera Andes to raise additional gross proceeds of up to 15% of the Offering, on the same terms and conditions as the Offering, exercisable any time, in whole or in part, up to 48 hours prior to the closing date of the Offering. The Over-Allotment Option was exercised in full and the total gross proceeds to Minera Andes was C\$23,028,750 (\$20,995,311). The Company incurred C\$1,490,352 (\$1,438,859) in share issue costs making the net proceeds of the Offering C\$21,589,911 (\$19,683,521). Each unit consisted of one (1) common share and one half of one common share purchase warrant, each whole warrant is exercisable at C\$1.25 for a period of 5 years after closing. In the event that the volume weighted average trading price of the Corporation's common shares on the TSX (or such other stock exchange or quotation system on which the Corporation's shares are listed and where a majority of the trading volume occurs), for a period of 20 consecutive trading days exceeds C\$2.50, the Corporation may, within five days after such an event, provide notice to the warrant holders of early expiry and thereafter, the warrants will expire on the date which is 30 days after the date of the notice to the warrant holders. The fair value of the shares issued was C\$20,879,400 (\$19,035,749) and the warrants were valued at C\$5,066,325 (\$4,618,969) using the Black-Scholes option pricing model with a volatility of 74%, risk free interest rate of 2.6%, expected life of 5 years, and a dividend rate of 0%. Using the relative method, C\$4,496,738 (\$4,099,676) was allocated to contributed surplus for the value of the warrants and C\$308,000 (\$280,958) was allocated to contributed surplus for the share issue costs relating to the warrants.

The units issued under the Offering were offered by way of a short form prospectus filed in all of the provinces of Canada, except Quebec by the Corporation on July 30, 2009.

The net proceeds from the Offering are expected to be used to fund ongoing exploration and development activities at the Corporation's gold projects and working capital

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**8. SHARE CAPITAL – continued**

**b. Changes to Share Capital – Issued, Allotted, and/or Subscribed - continued**  
requirements as required.

The Offering closed on August 19, 2009 and was approved by the normal regulatory agencies, including the approval of the Toronto Stock Exchange.

- iii. During the nine months ended September 30, 2009, the Corporation issued 1,435,000 common shares upon the exercise of stock options at a weighted average exercise price of C\$0.69 (\$0.56) per share. Upon exercise \$589,232 being the fair value of these options was transferred from contributed surplus to share capital. No purchase warrants were exercised for the nine months ended September 30, 2009.

**c. Stock Options**

The aggregate number of shares issuable upon exercise of all options granted under the Minera Andes Stock Option Plan (the “Plan”) shall not exceed 10% of the Corporation’s issued and outstanding common shares up to a maximum of 18,940,243 (2008 – 18,940,243) shares. Under the Plan, no participant may be granted an option under the Plan to purchase shares, which exceeds the number of shares permitted to be issued under the Plan pursuant to the rules or policies of any stock exchange on which the common shares are then listed. Under the Plan, the exercise price of each option shall be determined by the directors and shall not be less than the closing price of the Corporation’s common shares on the stock exchange on which the shares are listed on the last trading day immediately preceding the day on which the options are granted.

Options granted under the Plan will not be transferable and, if not exercised but subject to the authority of the Board to extend such time, will expire twelve (12) months following the date the optionee ceases to be a director, officer, employee or consultant of the Corporation by reason of death, or three months after ceasing to be a director, officer, employee or consultant of the Corporation for any reason other than death.

In addition, any options granted under the Plan shall vest as follows:

- a) 33 1/3% of the options shall vest in and be exercisable twelve (12) months from the date of grant;
- b) 33 1/3% of the options shall vest in and be exercisable twenty-four (24) months from the date of grant; and
- c) 33 1/3% of the options shall vest in and be exercisable thirty-six (36) months from the date of grant.

At September 30, 2009, 4,559,243 (December 31, 2008 – 3,999,243) options were available for grant under the Plan.

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**8. SHARE CAPITAL – continued**

**c. Stock Options – continued**

A summary of the status of the Plan as of September 30, 2009 and December 31, 2008, and changes during the periods ended is as follows:

	<b>Nine Months Ended</b>		<b>Year Ended</b>	
	<b>September 30, 2009</b>		<b>December 31, 2008</b>	
	<b>(Cdn)</b>		<b>(Cdn)</b>	
	<b>Weighted</b>		<b>Weighted</b>	
	<b>Avg.</b>		<b>Avg.</b>	
	<b>Exercise</b>		<b>Exercise</b>	
	<b>Options</b>	<b>Price</b>	<b>Options</b>	<b>Price</b>
Outstanding at beginning of period	10,985,000	\$ 1.15	10,215,000	\$ 1.13
Granted	620,000	0.69	1,400,000	1.20
Exercised	(1,435,000)	0.56	(260,000)	0.79
Expired	(1,240,000)	1.06	(370,000)	0.94
Outstanding at end of period	<u>8,930,000</u>	<u>\$ 1.19</u>	<u>10,985,000</u>	<u>\$ 1.15</u>
Exercisable at end of period	<u>8,085,000</u>	<u>\$ 1.28</u>	<u>10,385,000</u>	<u>\$ 1.16</u>
	<b>Nine Months Ended</b>		<b>Year Ended</b>	
	<b>September 30, 2009</b>		<b>December 31, 2008</b>	

Weighted average grant-date fair value of options granted during the period

C\$0.42

C\$0.66

The weighted average remaining contractual life of outstanding options is 2.8 years at September 30, 2009 (December 31, 2008 – 2.7 years).

At September 30, 2009 options were held by directors, officers, employees and non-employees as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,410,000	C\$0.60	December 28, 2010
4,995,000	C\$1.51	December 27, 2011
250,000	C\$1.73	September 4, 2012
100,000	C\$1.35	February 14, 2013 <sup>(1)</sup>
900,000	C\$1.36	May 23, 2013 <sup>(2)</sup>
355,000	C\$0.31	March 21, 2013
300,000	C\$0.81	September 11, 2013 <sup>(3)</sup>
200,000	C\$0.73	March 1, 2014 <sup>(4)</sup>
200,000	C\$0.67	March 13, 2014 <sup>(5)</sup>
220,000	C\$0.66	September 30, 2014 <sup>(6)</sup>
<u>8,930,000</u>		

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**8. SHARE CAPITAL – continued**

**c. Stock Options – continued**

<sup>(1)</sup>100,000 stock options were granted at an exercise price of C\$1.35 during the three-month period ended March 31, 2008, of which 25,000 options will vest every six months from the February 14, 2008 grant date to February 14, 2010.

<sup>(2)</sup>900,000 stock options were granted at an exercise price of C\$1.36 during the three month period ended June 30, 2008, of which all options vested immediately.

<sup>(3)</sup>On September 11, 2008, 400,000 options were granted at an exercise price of C\$0.81 to four new directors. On February 2, 2009 a director resigned and forfeited 100,000 options. The options will vest 1/3 on September 11, 2009, 2010, and 2011.

<sup>(4)</sup> On March 1, 2009, 200,000 options were granted at an exercise price of C\$0.73 to two new directors. The options will vest 1/3 on March 1, 2010, 2011, 2012.

<sup>(5)</sup> On March 13, 2009, 200,000 options were granted at an exercise price of C\$0.67 to an employee. The options will vest 1/3 on March 13, 2010, 2011, 2012.

<sup>(6)</sup> On September 30, 2009, 220,000 options were granted at an exercise price of C\$0.66 to two employees and an independent contractor. The options will vest 1/3 on September 30, 2010, 2011, 2012.

In connection with the vesting of certain non-employees, employees and directors stock options, the Corporation recorded stock option compensation for the three-months and nine months ended September 30, 2009 of \$62,909 and 164,940 accordingly (three-months and nine months ended September 30, 2008 of and \$261,500 and \$971,500 accordingly) to wages and benefits.

The fair value of the stock options granted in 2009 was calculated using the Black-Scholes option pricing model with the following range of assumptions: dividend yield – Nil; risk free interest rate – 1.87% to 2.4%; expected volatility of 77.4% to 81.61% and an expected life of 48 to 60 months. The fair value of the stock options granted in 2008 was calculated using the Black-Scholes option pricing model with the following range of assumptions: dividend yield – Nil; risk free interest rate – 3.50%; expected volatility of 57.85% and an expected life of 60 months.

**MINERA ANDES INC.**  
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**8. SHARE CAPITAL – continued**

**c. Stock Options – continued**

A summary of the status of the Corporation's stock options issued as agents compensation options as of September 30, 2009 and December 31, 2008 is as follows:

	<b>Nine Months Ended September 30, 2009</b>		<b>Year Ended December 31, 2008</b>	
	(C\$)		(C\$)	
	<b>Agent's Compensation Options</b>	<b>Weighted Avg. Exercise Price</b>	<b>Agent's Compensation Options</b>	<b>Weighted Avg. Exercise Price</b>
Outstanding at beginning of period	1,104,282	\$1.70	694,031	\$1.70
Granted	-	-	410,251	1.70
Outstanding at end of period	<u>1,104,282</u>	<u>\$1.70</u>	<u>1,104,282</u>	<u>\$1.70</u>
Exercisable at end of period	<u>1,104,282</u>	<u>\$1.70</u>	<u>1,104,282</u>	<u>\$1.70</u>
Weighted average grant-date fair value of options granted during the period		(Nil)		C\$0.31
		(Nil)		(\$0.25)

At September 30, 2009 and December 31, 2008 there were options held by agents for the purchase of our common shares as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
694,031	C\$1.70	December 21, 2009
388,901	C\$1.70	December 21, 2009
21,350	C\$1.70	December 21, 2009
<u>1,104,282</u>		

**d. Warrants**

The range of exercise prices on outstanding warrants is C\$0.70 to C\$2.00 with a weighted average contractual life of 2.8 years at September 30, 2009.

**MINERA ANDES INC.**  
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**8. SHARE CAPITAL – continued**

**d. Warrants**

A summary of the status of the outstanding warrants at September 30, 2009 and December 31, 2008, and changes during the periods ended on those dates is:

	<b>Nine Months Ended September 30, 2009</b>		<b>Year Ended December 31, 2008</b>	
	(C\$)		(C\$)	
	<b>Warrants</b>	<b>Weighted Avg. Exercise Price</b>	<b>Warrants</b>	<b>Weighted Avg. Exercise Price</b>
Outstanding and exercisable at beginning of period	21,039,665	\$ 1.91	18,298,094	\$ 1.91
Purchase warrants	15,352,500	1.25	4,102,511	2.00
Expired warrants	(8,294,059)	2.23	(642,024)	1.67
Exercised	-	-	(718,916)	0.51
Outstanding and exercisable at end of period	<u>28,098,106</u>	<u>\$ 1.51</u>	<u>21,039,665</u>	<u>\$ 1.91</u>

At September 30, 2009 there were full warrants held for the purchase of the Corporation's common shares as follows:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
6,940,322	C\$2.00	December 21, 2009
3,889,011	C\$2.00	December 21, 2009
213,500	C\$2.00	December 21, 2009
1,702,773	C\$0.70	March 22, 2010
<u>15,352,500</u>	C\$1.25	August 19, 2014
<u>28,098,106</u>		

On March 7, 2009, 4,227,669 warrants at an exercise price of C\$2.06 expired. On September 30, 2009, 4,066,390 warrants at an exercise price of C\$2.41 expired.

**MINERA ANDES INC.**  
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**8. SHARE CAPITAL – continued**

**e. Earnings per share**

	Three months ended <u>September 30, 2009</u>	Nine months ended <u>September 30, 2009</u>
Weighted average shares outstanding	<u>245,076,324</u>	<u>227,612,424</u>
Net income (loss) available to shareholders		
Basic and diluted	\$5,220,219	\$1,899,282
Weighted average shares outstanding		
Basic	245,076,324	227,612,424
Effect of dilutive stock options	<u>197,285</u>	<u>323,170</u>
Diluted	<u>245,273,609</u>	<u>227,935,594</u>
Stock options excluded from dilution	7,849,282	8,574,282
Warrants excluded from dilution	7,555,000	7,655,000
Net income (loss) per share		
Basic	<u>0.02</u>	<u>0.01</u>
Diluted	<u>0.02</u>	<u>0.01</u>

**9. COMMITMENTS AND CONTINGENCIES**

- a. Mineral rights in Argentina are owned by the federal government and administered by the provinces. The provinces can levy a maximum 3% "mouth of mine" (gross proceeds) royalty. The provinces of Mendoza and Neuquén have waived their right to this royalty. The provinces of Río Negro, San Juan and Chubut have not yet established a policy regarding the royalty.
- b. On December 2, 2003, the Corporation signed an agreement that obligated us to pay N.A. Degerstrom, Inc. (the vendor of the original exploration properties), a royalty of \$250,000, if any of the properties owned at the date of signing the agreement, other than the properties comprising the San José Mine, meet certain conditions such as bankable feasibility or commercial production prior to December 2, 2013. As of September 30, 2009, no payments are required to be made under that agreement.
- c. As of September 30, 2009, MSC signed agreements with third party providers relating to the development and operation of the San José Mine. Our 49% portion of these commitments is approximately \$13 million dollars.

**10. RELATED PARTY TRANSACTIONS**

The Corporation pays a management service fee to a related party, 2083089 Ontario Inc. ("208"). 208 is a company controlled by Robert McEwen, the chairman and chief executive officer of the Corporation and beneficial owner of more than 5% of our voting securities. Mr. McEwen is also the chief executive officer and director of 208, which provides management services to a number of entities in which Mr. McEwen has significant equity interests. The management service fees cover inter-alia, rent, office expenses, and other administrative services on a cost recovery basis. During the three and nine month periods ended September 30, 2009, the Company paid \$16,056 and \$20,169, respectively. For the three and nine month periods ended September 30, 2008, the Company paid \$Nil and \$2,092, respectively.

**MINERA ANDES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(U.S. Dollars - Unaudited)**

**10. RELATED PARTY TRANSACTIONS -continued**

MSC is also a related party of the Corporation. The Corporation owns 49% of MSC. See note 6.

**11. RESTATEMENT**

- a. The consolidated statements of operations and accumulated deficit for the three-months and nine-months ended September 30, 2008 have been restated to include \$186,000 and \$512,000 for the amortization of the deferred costs related to the investment in MSC (Note 6), and the expensing of \$84,371 and \$253,111 of general overhead to general and administrative expenses. In 2008, the MSC plant went into production and the amortization of the deferred costs were not recorded in the financial statements for 2008 until the reporting of the December 31, 2008 consolidated financial statements. The effect of this restatement for the three-month and nine-month periods ended September 30, 2008 are as follows:

	<b>As Previously Reported</b>	<b>Restatement</b>	<b>As Previously Restated</b>
<u>Statement of Operations and Accumulated Deficit for the Three Months Ended September 30, 2008</u>			
Net income on Investment in MSC	\$ (1,655,364)	\$ (186,000)	\$ (1,841,364)
General and administrative	\$ (351,084)	\$ (84,371)	\$ (435,455)
Net loss and comprehensive loss for the period	\$ (3,499,577)	\$ (270,371)	\$ (3,769,948)
Basic and diluted loss per common share	\$ (0.02)		\$ (0.02)

	<b>As Previously Reported</b>	<b>Restatement</b>	<b>As Previously Restated</b>
<u>Statement of Operations and Accumulated Deficit for the Nine Months Ended September 30, 2008</u>			
Net income on Investment in MSC	\$ 9,171,591	\$ (512,000)	\$ 8,659,591
General and administrative	\$ (1,234,324)	\$ (253,111)	\$ (1,487,435)
Net income and comprehensive income for the period	\$ 3,661,307	\$ (765,111)	\$ 2,896,196
Basic and diluted earnings per common share	\$ 0.02		\$ 0.02

- a. The fourth quarter December 31, 2008, loss as previously reported, has been adjusted by the sum of the above restatements by quarter. The above restatements by quarter results in no change in the year ended December 31, 2008, loss previously reported.

Subsequent to the restatement above, the Corporation restated its investment in MSC for interest income on the Corporation's loan to MSC, which was not recognized by the Corporation. The effect of the restatement was an increase in the Investment in MSC as at December 31, 2008 by \$3,751,955, with a corresponding increase to Income on Investment in MSC. For the three-months and nine-months period ended September 30, 2008, Income (loss) on Investment in MSC before amortization was \$(1,655,364) and \$9,171,591 respectively.

In addition, following a detailed review of the Corporation's Argentinean tax affairs, the

**MINERA ANDES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(U.S. Dollars - Unaudited)**

**11. RESTATEMENT - continued**

Corporation accrued tax adjustments and restated the accounts payable and accruals in respect of previously unrecognized business and capital taxes in its Argentinean subsidiary as at December 31, 2008 and 2007. As at December 31, 2008, accounts payable and accruals increased by \$1,633,000 with \$1,218,000 being accruals prior to January 1, 2008 and \$415,000 being business and capital taxes accrued for the fiscal year ended December 31, 2008. For the three-months and nine-months ended September 30, 2008, the \$415,000 business and capital taxes accrual was expensed evenly at \$103,750 per quarter in general and administrative expenses.

The accumulated effects of these subsequent restatements for the three-month and nine-month periods ended September 30, 2008 are as follows:

	<u>As Previously</u>			
	<u>Restated</u>	<u>Restatement</u>	<u>As Restated</u>	
<u>Balance Sheet as at December 31, 2008</u>				
Investment in Minera Santa Cruz	\$ 77,282,120	\$ 3,751,955	\$ 81,034,075	
Accumulated deficit	\$ (49,546,535)	\$ 2,118,955	\$ (47,427,580)	
Accounts payable and accruals	\$ 1,488,013	\$ 1,633,000	\$ 3,121,013	
<u>Statement of Operations and Accumulated Deficit for the</u>				
<u>Three Months Ended September 30, 2008</u>				
Loss on Investment in MSC	\$ (1,655,364)	\$ 945,834	\$ (709,530)	
General and administrative	\$ (435,455)	\$ (103,750)	\$ (539,205)	
Net loss and comprehensive loss for the period	\$ (3,769,948)	\$ 842,084	\$ (2,927,864)	
Accumulated deficit, beginning of period	\$ (35,343,580)	\$ (83,954)	\$ (35,427,534)	
Basic and diluted earnings per common share	\$ (0.02)		\$ (0.02)	
<u>Statement of Operations and Accumulated Deficit for the Nine</u>				
<u>Months Ended September 30, 2008</u>				
Income on Investment in MSC	\$ 9,171,591	\$ 2,782,121	\$ 11,953,712	
General and administrative	\$ (1,487,435)	\$ (311,250)	\$ (1,798,685)	
Net income and comprehensive income for the period	\$ 2,896,196	\$ 2,470,871	\$ 5,367,067	
Accumulated deficit, beginning of period	\$ (42,445,893)	\$ (1,218,000)	\$ (43,663,893)	
Basic and diluted earnings per common share	\$ 0.02		\$ 0.03	

**12. COMPARATIVE FIGURES**

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

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

This discussion and analysis of financial condition and results of operations ("MD&A") is prepared as of November 15, 2009, and should be read in conjunction with our amended and restated audited consolidated financial statements and notes thereto for the year ended December 31, 2008, and the unaudited interim consolidated financial statements and notes thereto for the three month and nine month periods ended September 30, 2009, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are filed with appropriate regulatory authorities in Canada and the United States. These statements, along with additional information relating to Minera Andes, Inc., including our Annual Information Form for the year ended December 31, 2008, are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the SEC's EDGAR system at [www.sec.gov](http://www.sec.gov). All amounts in this MD&A are in U.S. dollars unless otherwise indicated. Canadian dollars are shown as C\$.

Unless the context otherwise requires or it is otherwise stated, references in this MD&A to "Minera Andes" the "Corporation" or "we" or "us" are references to Minera Andes Inc. ("MAI") and its subsidiaries.

**Overview**

Minera Andes Inc. was formed upon the amalgamation of Scotia Prime Minerals, Incorporated, and Minera Andes Inc., pursuant to the *Business Corporations Act* (Alberta) on November 6, 1995. Commencing on February 7, 2007, Minera Andes was listed on the Toronto Stock Exchange ("TSX") (symbol: MAI). Prior to February 7, 2007 Minera Andes was listed on the TSX Venture Exchange having initially been listed thereon on December 20, 1995. MAI's common shares are also quoted on the NASD OTC Bulletin Board (symbol: MNEAF).

Our head office is 99 George St, 3<sup>rd</sup> Floor, Toronto, Ontario, M5A 2N4, and our principal business address is Coronel Moldes 837/820, (5500) Mendoza, Argentina. Our registered and records office and address for service is 7415B 35<sup>th</sup> Ave. N.W., Calgary, Alberta, T3B 1T4 Canada.

The principal business of Minera Andes is the exploration and development of mineral properties located primarily in the Republic of Argentina with a focus on gold, silver and copper mineralized targets. We carry on our business by acquiring, exploring and evaluating mineral properties through our ongoing exploration program. Following exploration, we either seek to develop on our own or enter joint ventures to further develop these properties or dispose of them if they do not meet our requirements. Our investment income or losses, as the case may be, consist of our 49% share of the net profit or net loss of the operations of the San José Mine, owned by Minera Santa Cruz S.A. ("MSC"), accounted for on an equity basis.

We currently hold mineral rights and applications for mineral rights covering approximately 304,221 acres (123,133 hectares) in Argentina. Our principal assets currently consist of:

- (i) a 49% interest in MSC, which holds title to the San José Mine, an operating silver and gold mine, which covers 50,491 hectares and is not included in the acres noted above; and
- (ii) a 100% interest in mineral properties comprising our Los Azules Project, a porphyry copper project.

*The San José Mine*

In August 2007, the MSC Board decided to double the production rate at the mine and mill from 750 tonnes to 1,500 tonnes per day. The expansion of the processing plant to 1,500 tonnes per day was completed in October 2008, approximately three months behind schedule at a capital cost of approximately 35% over budget.

Production commenced from the Kospi vein near the end of June 2009, which marked the expansion of the mine production to 1,500 tonnes per day, approximately nine months behind schedule.

During the quarter ended September 30, 2009, approximately 50% of the concentrate produced at the mill was converted on site to doré bullion. During the year ended December 31, 2008, the San José mine produced approximately 4.4 million ounces of silver and 54,260 ounces of gold; during the quarter ended September 30, 2009, the mine produced approximately 1.4 million ounces of silver and 22,470 ounces of gold; and during the nine months ended September, 2009, the mine produced approximately 4.0 million ounces of silver and 57,110 ounces of gold.

On July 29, 2009, the Corporation announced the results of an independent NI 43-101 Technical Report that included a review of the mineral resource and reserve estimates as at December 31, 2008, at the San José mine. Compared to the June 30, 2008 estimate, the contained silver in the proven and probable mineral reserves increased by 8% and the contained gold increased 16%. Gold and silver ounces at the property increased compared with those reported in the June, 2008 estimate because the grades of the mineral reserves increased, primarily due to a higher cut-off value reflecting actual cost experience as well as the addition of mineral reserves through exploration.

#### *The Los Azules Copper Project*

The Los Azules Copper Project is an advanced-stage exploration project located in San Juan Province, Argentina (the "Project").

Under the terms of an option agreement between Minera Andes and Xstrata Copper ("Xstrata") (and their respective affiliates) dated November 2, 2007 (the "Option Agreement"), Xstrata granted Minera Andes the right to earn-in and acquire a 100% interest in certain Xstrata properties (the "Xstrata Properties") adjacent to Minera Andes' properties ("Earn-in Option") upon satisfaction of certain conditions, including delivery of a scoping study/preliminary assessment. Minera Andes exercised the Earn-in Option on May 29, 2009.

The Option Agreement also provided that Xstrata would have a one-time option to back-in to a 51% interest in the Project (the "Back-in Right") upon, among other things, payment to the Corporation of an amount equal to three times the amount of Minera Andes' direct exploration expenditures on the Project since November 25, 2005. Xstrata had until October 1, 2009 to notify Minera Andes if it would exercise the Back-in Right. Xstrata did not exercise the Back-in Right, and consequently, Xstrata has transferred the Xstrata Properties to an Argentine subsidiary of Minera Andes. Minera Andes, through its wholly owned subsidiaries, now holds 100% of the Project.

Certain of the Xstrata Properties formerly held by Xstrata and transferred to the Corporation pursuant to the Option Agreement remain subject to an underlying option agreement between Xstrata and Solitario Argentina S.A. ("Solitario"), whereby Solitario has the right to back-in to up to 25% of the properties covered by the underlying option agreement (the "Solitario Agreement"), exercisable by Solitario upon the satisfaction of certain conditions within 36 months of Xstrata exercising the option. The Solitario Agreement is the subject of a dispute between Xstrata and Solitario commenced by Solitario's parent company against Xstrata in the Supreme Court of British Columbia. The dispute surrounds the validity of the 36-month time limit described above. If Solitario is successful, the Corporation's interest in certain of the Xstrata Properties may be reduced by up to 25%. Minera Andes is not a party to the litigation.

#### **Overall Performance**

For the three month period ended September 30, 2009 (the "Third Quarter 2009"), our net income was \$5.2 million compared to a net loss of \$2.9 million for the three months ended September 30, 2008 (the "Third Quarter 2008"). The major factor in the change in income in the current quarter over the income in the quarter a year ago was the Income on Investment in MSC of \$5.7 million for the Third Quarter 2009 versus a Loss on Investment in MSC of \$0.9 million for the Third Quarter 2008. The reasons for the higher Income on Investment

in MSC are: a) a higher level of sales during Third Quarter 2009 than during the same quarter last year due to the increased level of production after completing the mine and plant expansions and due to higher gold and silver prices; b) sale of Value Added Tax (VAT) credits which had been written off; all of which was partially offset by; c) higher cost of sales due to the higher volume sold during Third Quarter 2009 compared to the same quarter last year; d) costs in the amount of \$300,000 due to a four day stoppage of the operation in September caused by an outside union seeking representation of some of the workers at the mine; e) a higher amount of export taxes as a result of the higher level of sales; and f) discounts to VAT fiscal credits to reflect their present value and discounts applied by the purchasers of these VAT credits during the Third Quarter 2009 compared with no discounts in the Third Quarter 2008.. Our investment, income or loss, as the case may be, consists of our 49% share of the profit or loss of MSC's San José Mine, accounted for on an equity basis, which is derived from the operations of the San José Mine. The performance of the San José Mine is described under Operations below, where the results are also compared with the preceding three month period (the "Second Quarter 2009").

For the nine month period ended September 30, 2009, our net income was \$1.9 million compared to a net income of \$5.4 million for the nine months ended September 30, 2008. The major factor in the lower income was Income on Investment in MSC of \$7.9 million for the first nine months of 2009 versus an Income on Investment in MSC of \$11.4 million for the first nine months of 2008. The reasons for the lower Income on Investment in MSC are: a) a higher amount of export taxes as a result of the higher level of sales and the expiration of the tax holiday MSC enjoyed until mid-April 2008, b) higher foreign exchange losses as a result of a higher depreciation rate of the Argentinean Peso against the US\$ during 2009, c) discounts to VAT fiscal credits to reflect their present value and discounts applied by the purchasers of these VAT credits during 2009 compared with no discounts in the first nine months of 2008, d) higher cost of sales due to the higher volume sold during the first nine months of 2009 compared to the first nine months of last year; all of which was partially offset by: e) a higher level of sales during the first nine months of 2009 than during the same period last year due to the increased level of production after completing the mine and plant expansions.

As at September 30, 2009, we had cash and cash equivalents of \$20.9 million as compared to \$3.4 million as of December 31, 2008. Major changes in our cash and cash equivalents during the nine months ended September 30, 2009, were an increase due to a private placement completed with Mr. Robert McEwen, an increase due to the short form prospectus equity offering which was completed on August 19, 2009 (which is described more particularly below), and a decrease in cash and cash equivalents due to the payment of the MSC cash call in February 2009, and repayment of the Bank Loan in March 2009.

In February 2009, the Corporation completed a private placement with Mr. Robert R. McEwen, a director of Minera Andes and the Corporation's largest shareholder, pursuant to which Mr. McEwen purchased 40 million shares of Minera Andes for C\$40 million (the "McEwen Financing").

In February 2009, using the proceeds of the McEwen Financing, we paid our share of a cash call issued by MSC in December 2008 in the aggregate amount of \$23 million, of which our share was \$11.3 million (the "December 2008 Cash Call"), to remedy a working capital deficiency at MSC caused by cost overruns and delays associated with expansion and development of the San José Mine (including expansion of the mine and processing facility and construction of the new electric transmission line).

The Corporation closed a short form prospectus equity offering on August 19, 2009, whereby a syndicate of underwriters purchased for resale to the public and Minera Andes issued 26,700,000 units, each unit consisting of one common share and one half of a warrant to buy one common share at a price of C\$1.25 per unit ("the Offering"), on a "bought deal" basis, equivalent to C\$20 million, and 4,005,000 underwriter over allotment options equivalent to C\$3 million.

The Corporation is subject to global financial conditions including changes in the prices for commodities, the availability of public financing, and market turmoil and volatility. These conditions could (a) make it difficult or impossible for us to raise financing, as and when required, to meet our planned growth and development

activities or to satisfy cash calls made by MSC; and (b) render the Los Azules Copper Project uneconomic or, if economic, prevent us from accessing the funds required to develop the project.

## **Operations**

The following discussion is related only to MSC, which the Corporations owns 49% of and is accounted for on the equity pickup method.

### *Production*

During the Third Quarter 2009, ore production at San José increased by 3% compared to the Second Quarter 2009 and 81% as compared to the Third Quarter 2008. For the same periods, silver production was 11% and 42% higher, respectively, and gold production was 24% and 82% higher, respectively.

Operations at the San José mine were impacted by labor unrest during the third quarter. A total of four days of milling operations were lost during the quarter due to work stoppages. The stoppages arose from a dispute between two different unions regarding representation of certain workers at the mine, and they were not focused on MSC, which operates the mine. A total of 25 workers were terminated as a result of the labor actions. Operations resumed in October, and operations have since returned to normal. Despite the labor disruptions, ore and metal production increased during the third quarter compared to the second quarter because full production commenced on the high-grade Kospi vein at the end of the second quarter, and the mine is no longer relying on low-grade stockpiles for mill feed.

The increase in silver production in comparison to the Second Quarter 2009 was due to the increased processed tonnage, a higher head grade, and higher processing recovery rates. The increase in gold production in comparison to the Second Quarter 2009 was the result of a higher mill feed head grade for gold and, to a lesser extent, the increased processed tonnage and higher processing recovery rates. Compared to the Third Quarter 2008, silver production and gold production increased due to higher tonnage treated due to the expansion of the processing plant and, in the case of silver, this increase was partially offset by lower head grades.

Silver production at the San José Mine was 1,402,000 ounces in the Third Quarter 2009, compared to 1,265,000 ounces in the Second Quarter 2009 and 990,000 ounces in the Third Quarter 2008. Gold production in the Third Quarter 2009 was 22,470 ounces, compared to 18,080 ounces in the Second Quarter 2009 and 12,340 ounces in the Third Quarter 2008. The silver and gold production grades for the Third Quarter 2009 were 22% and 16% lower than the December 2008 reserve grades.

Using the average London PM Fix for gold and the London Fix for silver, approximately 49% of the value of the Third Quarter 2009 production was derived from silver and 51% was derived from gold as compared to 51% for silver and 49% for gold in the Second Quarter 2009. In the Third Quarter of 2008 59% of the value of the production was derived from silver and 41% was derived from gold. The differences are due mainly to relative variations in the silver and gold head grades and market metal prices.

During the first nine months of 2009, the ore process at San José increased by 92% compared to the first nine months of 2008. For the same periods, silver production was 30% higher and gold production was 55% higher. The increase in both silver and gold production was mainly due to the increased processed tonnage, offset by lower head grades.

Silver production at the San José Mine was 3,966,000 ounces during the first nine months of 2009, compared to 3,051,000 ounces during the same period last year. Gold production during the first nine months of 2009 was 57,110 ounces, compared to 36,890 ounces during the same period of 2008. The silver and gold production grades for the first nine months of 2009 were 34% and 17% lower than for the same period of 2008. Using the average London PM Fix for gold and the London Fix for silver, approximately 50% of the value of the first nine months of 2009 production was derived from silver and 50% was derived from gold as compared to 61% for

silver and 39% for gold in the same period of 2008. The differences are due mainly to relative variations in the silver and gold head grades and market metal prices.

### *Sales*

Net proceeds realized by MSC from the sale of silver and gold for the Third Quarter totaled \$46.1 million, for the Second Quarter 2009 totaled \$41 million, and for the Third Quarter 2008 totaled \$18.5 million. Total metal sales for the San José Mine since start-up are \$220.7 million.

<b>Sales - US\$ million</b>	<b>2008</b>	<b>2009</b>
Q1	9.9	21.1
Q2	63.2	41.0
Q3	18.5	46.1
Q4	19.6	
<b>Total</b>	<b>111.2</b>	<b>108.2</b>

Sales in the Third Quarter of 2009 were higher than in the Second Quarter of 2009 due to higher ounces of gold sold and higher metal prices for both gold and silver, partially offset by lower ounces of silver sold. In the case of gold, sales were higher as a result of a higher production level. In the case of silver, sales were lower despite a higher production level because a larger than normal final product inventory accumulated at the end of the First Quarter 2009 was sold in the Second Quarter 2009. The effect of this accumulated inventory was not large enough to offset the higher production of gold.

Sales in the Third Quarter of 2009 were also higher than in the Third Quarter of 2008 due to higher ounces of silver and gold sold, mainly as a result of the increased production, as well as higher prices for both silver and gold.

During the Third Quarter 2009, MSC sold 1,536,000 ounces of silver and 24,680 ounces of gold compared to Second Quarter 2009, when MSC sold 1,709,000 ounces of silver and 21,930 ounces of gold and 846,000 ounces of silver and 9,760 ounces of gold in the Third Quarter 2008.

The average weighted gross sale price for silver sold in the Third Quarter 2009 was \$15.54 per ounce of silver, an increase of 16% compared to the average price of \$13.42 per ounce received in the Second Quarter 2009. The average weighted gross sale price for gold sold in the Third Quarter 2009 was \$985 per ounce, an increase of 7%, compared to the average price of \$919 per ounce realized in the Second Quarter 2009. The average weighted sale price of product sold in the Third Quarter 2008 was \$12.37 per ounce of silver and \$861 per ounce of gold.

Sales during the first nine months of 2009 were also higher than during the same period of 2008 due to higher ounces of silver and gold sold as well as higher prices for gold, partially offset by lower prices for silver.

### *Inventory*

Product inventories as at the end of the Third Quarter 2009 consisted of 3,865 kilograms of high-grade gold-silver precipitate from the Gekko electrowinning circuit, 2,481 kilograms of silver-gold doré bullion, and 347 tonnes of silver-gold concentrate, containing in total 3,480 ounces of gold and 199,500 ounces of silver. This inventory was lower than the product inventories at the end of the Second Quarter 2009, which consisted of 3,994 kilograms of high-grade precipitate from the Gekko electrowinning circuit, 3,935 kilograms of silver-gold doré bullion, and 992 tonnes of silver-gold concentrate, containing in total 6,960 ounces of gold and 424,400 ounces of silver.

*Operating Costs*

The terms operating cash cost or production cash costs used in this section is for the reporting of the MSC operations only, are considered to be non-GAAP measures (see non-GAAP measures, page 25). Total operating cash costs were \$13.5 million for the Third Quarter 2009. Operating cash costs consist of geology, mining, processing plant, general and administration and royalty costs. Refining and treatment charges and sales costs are applied to doré but concentrate sales do not include refining, treatment charges and sales costs. Depreciation is not included in operating cash costs.

Average operating cash costs were \$113.10 per tonne of processed ore for the Third Quarter 2009. On a per ounce co-product basis the average operating cash cost was \$313 per ounce of gold and \$4.75 per ounce of silver. Co-product operating cash costs are calculated by dividing the respective proportionate share of the total costs for each metal for the period by the ounces of each respective metal produced. The proportionate share of the total costs is calculated by multiplying the total operating cash costs by the percentage of total production value that the respective metal represents. As explained above, approximately 49% of the value of the Third Quarter 2009 production was derived from silver and 51% was derived from gold.

The following table sets out the operating cash costs of the San José Mine for the Third, Second and First Quarters 2009, for the 2008 Financial Year on a quarterly basis and as at December 31, 2007 (on a 100% basis). Minera Andes Inc. considers "commercial production" to have started as of January 1, 2008.

	Q3 2009	Q2 2009	Q1 2009	Year 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Year 2007
<b>Tonnes processed</b>	122,342	119,184	118,986	<b>295,964</b>	107,875	67,589	60,603	59,897	<b>92,974</b>
<b>Ounces gold produced</b>	22,470	18,080	16,560	<b>54,260</b>	17,370	12,340	12,410	12,140	<b>14,960</b>
<b>Ounces silver produced</b>	1,402,000	1,265,000	1,299,000	<b>4,380,000</b>	1,329,000	990,000	1,093,000	968,000	<b>958,000</b>
<b>Total Operating cash cost (\$)</b>	13,549,000	12,376,000	12,219,000	<b>48,503,000</b>	16,987,000	12,070,000	10,728,000	8,719,000	<b>18,105,000</b>
<b>Op.cash cost/tonne (\$/t)</b>	113	113	112	<b>166</b>	157	179	177	146	<b>195</b>
<b>Operating cash cost/oz Au (\$/oz)</b>	313	335	357	<b>375</b>	494	404	322	286	<b>542</b>
<b>Operating cash cost/oz Ag (\$/oz)</b>	4.75	5.00	4.99	<b>6.42</b>	6.32	7.15	6.16	5.45	<b>10.43</b>

Total operating cash costs as well as cash cost per tonne during the Third Quarter 2009 were at higher levels compared to the Second Quarter 2009 due to higher labour costs, partially offset by reduced commercial costs.

Cash cost per ounce of silver, on a co-product basis, decreased 5% in the Third Quarter 2009 compared to the Second Quarter 2009 because the silver grade of ore treated increased 2% and gold in ore treated increased 18% and by a change in the production mix (silver represented a 51% of the total production value in the Second Quarter 2009 versus a 49% in the Third quarter). As a result of this change in the production mix, a lower portion of the total cash costs was attributed to the ounces of silver produced. In comparison to the same quarter of 2008, the cash cost per ounce of silver decreased 34%, mainly explained by productivity gains derived from the economies of scale benefits associated with the mine and plant expansions and by a change in the production mix (silver represented 59% of the total production value in the Third Quarter of 2008 versus 49% in the Third quarter 2009), all of which was partially offset by the lower grade milled.

Cash cost per ounce of gold, on a co-product basis, decreased by 7% in the Third Quarter 2009 compared to the Second Quarter of 2009 as a result of the higher grade treated, which was partially offset by a change in the production mix (gold represented 49% of the total production value in the Second Quarter 2009 versus 51% in the Third Quarter 2009). As a result of this change in the production mix, a higher portion of the total cash costs were attributed to the ounces of gold produced. In comparison to the same quarter of 2008, the cash cost per ounce of gold decreased by 23%, mainly explained by productivity gains derived from the economies of scale benefits associated with the mine and plant expansions, partially offset by a change in the production mix

(gold represented 41% of the total production value in Third Quarter 2008 versus 51% in the Third Quarter 2009).

*San José Mine*

In March 2009, the San José processing facility was connected to the national power grid through the construction of a 130 kilometre 132 kV electric transmission line in March 2009, approximately four months behind schedule at a capital cost of approximately 70% over budget. The existing diesel generators remain on site for back-up power supply.

MSC has purchased part of the equipment necessary to expand the concentrate leaching and electrowinning circuit in the processing plant so that 100% of the concentrates produced by the operation can be converted to doré on site. Basic engineering has been completed and detailed engineering is scheduled to be completed during the fourth quarter. However construction of the project has been suspended due to the high capital costs required to complete the expansion.

In 2008 approximately 19,358 metres of core drilling totaling 81 drill holes were completed at the San José Mine. Drilling focused primarily on the Frea, Odin and Ayelén veins and consisted of infill and step-out drilling.

The 2009 exploration program at San José consists of a compilation and interpretation of project data over the entire San José district, comprising approximately 115 km<sup>2</sup> (28,400 acres), to identify new targets and follow up on existing targets through exploration drilling. The drilling program, which is well underway, totals approximately 22,000 metres consisting of 17,000 metres of surface core drilling and 5,000 metres of underground drilling. The surface drilling is focusing on the Kospi, Ayelén, Odin, and splits off of the Frea and Kospi veins. The underground drilling will explore for new veins by drilling from the underground access ramps. In addition to discovering new mineralized veins, the goal of this year's exploration program will be to replace reserves depleted during 2009 and add to the existing resources at San José..

*Los Azules Project*

To September 30, 2009, the Corporation has expended \$14 million on exploration drilling at the Los Azules Project and on the preparation of a preliminary assessment/scoping study.

**Results of Operations**

*The Three Months Ended September 30, 2009, Compared to the Three Months Ended September 30, 2008*

For the Third Quarter 2009, our net income was \$5.2 million (\$0.02 per share) compared with a net loss of \$2.9 million (\$0.02 per share) for the Third Quarter 2008. The difference of approximately \$8.1 million is primarily attributable to the following:

- an increase in our share of the net income in MSC of \$6.7 million
  - a) a higher level of sales of \$13.5 million, which is 49% of the \$27.6 million higher sales during the Third Quarter 2009 as compared to the same quarter last year due to the increased level of production after completing the mine and plant expansions;
  - b) sale of VAT fiscal credits previously provided for as they are being sold to third parties by MSC, all of which was partially offset by;
  - c) a higher cost of sales of \$6.1 million, which is 49% of \$12.5 million, due to the higher volume sold during the Third Quarter of 2009;
  - d) non-recurring costs totaling approximately \$0.3 million, which is 49% of \$0.6 million, due to the four day stoppage of the operation in September caused by an outside union to seeking representation of some of the workers at the mine; and,
  - e) a higher amount of export taxes of \$1.6 million due to higher sales, which is 49% of \$3.2 million.

- an increase in amortization of \$0.1 million of deferred costs based on a higher unit of production in the Third Quarter 2009 as compared to Second Quarter 2008 directly relating to commercial production at the San José Mine;
- a decrease in consulting fees of \$0.1 million due to a decrease in financial advisory services and geological consultants;
- a decrease in general and administrative expenses of \$0.2 million resulting from a decrease in filing fees, shipping and postage of \$0.1 million, a decrease in the estimate of Argentina business tax payable of \$0.4 million, and an increase in legal, audit and accounting fees of \$0.3 million;
- an decrease in foreign exchange loss of \$0.8 million due to the strengthening of the Canadian dollar;
- a decrease in income from rental of access roads of \$0.1 million;
- a decrease in interest expense of \$0.7 million as the Bank Loan was repaid during the First Quarter 2009; and
- an increase in wages and benefits of \$0.1 million, Third Quarter 2009 had several severances paid totaling expense of \$0.2, and a non-cash stock option expense of \$0.1 million; Third Quarter 2008 had a non-cash stock option expense of \$0.3 million.

For the Third Quarter 2009, MAI's attributed portion (49%) of MSC's net income was approximately \$6.0 million, compared to approximately \$0.7 million of net loss for Third Quarter 2008.

Mineral property and deferred exploration costs for the Third Quarter 2009 were \$0.3 million compared to \$1.8 million for the Third Quarter 2008. The difference was primarily due to decreased exploration and drilling activity at the Los Azules Project.

	<b>Three Months Ended</b>	
	<b>September 30, 2009</b>	<b>September 30, 2008</b>
Summary of MSC's financial information from operations:		
Sales	\$ 46,107,465	\$ 18,526,942
Net income - MSC	9,959,675	(3,378,294)
Minera Andes Inc. portion (MAI) - 49%	4,880,241	(1,655,364)
Equity adjustments:		
Interest expensed by MSC and included in the equity method pickup	779,305	739,834
Amortization of pre 2008 capitalized interest on MSC loans	298,229	206,000
Income on Investment in MSC	5,957,775	(709,530)
Less amortization of MAI deferred capitalized costs	(302,000)	(186,000)
Net income on investment in MSC	\$ 5,655,775	\$ (895,530)

Our share of earnings and losses from our investment in MSC is included in the consolidated statement of operations and is equal to 49% of the above net income of \$10 million for the three months ended September 30, 2009, and the above net loss of (\$3.4 million) for the three months ended September 30, 2008, before the equity method adjustment.

Cash used in operating activities during the Third Quarter 2009 was \$0.7 million, compared with \$1.3 million for the Third Quarter 2008. This decrease of approximately \$0.6 million is primarily attributable to the following:

- a decrease in consulting fees of \$0.1 million due to a decrease in financial advisory services and geological consultants;
- a decrease in general and administrative fees of \$0.2 million relating to a decrease in work on a restatement in 2008 as well as due to a negative Argentina tax estimate adjustment
- an increase in wages and benefits of \$0.3 million, Third Quarter 2009 had several severances paid totaling \$0.2 million, and due to an increase in wages;
- an increase in foreign exchange gain of \$0.8 million due to the strengthening of the Canadian dollar;
- a decrease in interest expense of \$0.2 million as the Bank Loan was paid during First Quarter 2009;
- a decrease in rental road income of \$0.1 million; and
- a decrease change in accounts payable and accrued expenses of \$0.4 million which was related to an adjustment to decrease estimated Argentina business taxes, and increase in severance pay.

Cash used in investing activities in the Third Quarter 2009 was \$0.3 million compared with \$1.3 million in the Third Quarter 2008. This decrease in cash used for investing activities is mainly due to a decrease in spending on mineral properties and exploration of \$1.0 million.

Investing activities in both the Third Quarter 2009 and 2008 consisted of expenditures related to the Los Azules Project program, and general exploration expenditures.

*The Nine Months Ended September 30, 2009, Compared to the Nine Months Ended September 30, 2008*

For the nine months ended September 30, 2009, MAI's net income was \$1.9 million (\$.01 per share) compared with a net income of \$5.4 million (\$.03 per share) for the nine months ended September 30, 2008. The difference of approximately \$3.5 million is primarily attributable to a result of the following:

- a lower share of the net income in MSC of \$3.3 million;
- an increase in amortization of \$0.3 million of deferred costs due to a reduction in proven reserves and an increase in the amount of tonnes processed each year;
- an increase in general and administrative fees of \$0.7 million due to costs related to audit and accounting, costs related to the December 2008 Cash Call paid in First Quarter 2009, costs related to repayment of the Bank Loan, costs related to the McEwen Financing, responding to the review of our financial statements and continuous disclosure materials by the Alberta Securities Commission, corporate transition fees, and financial reporting advisory services;
- a decrease in foreign exchange loss of \$0.3 million due to the strengthening of the Canadian dollar;
- a decrease in interest income of \$0.2 million due to lower interest rates;
- a decrease in income on access road rental of \$0.1 million;
- a decrease in interest expense of \$1.6 million as the Bank Loan was repaid during the First Quarter 2009; and
- accretion on the early settlement of the Bank Loan of \$0.6 million, which was the remaining debt accretion at the time of the repayment of the Bank Loan.

Prior to the equity pickup for the nine months ended September 30, 2009, MAI's attributed portion (49%) of MSC's net income was approximately \$5.6 million, compared to approximately \$9.2 million of net income for the nine months ended September 30, 2008.

Mineral property and deferred exploration costs for the nine months ending September 30, 2009, were \$1.8 million compared to \$6.8 million for the nine months ending September 30, 2008. The difference was because the Corporation did not conduct drilling or other field-related activities during the past field season (December 2008 through April 2009) at the Los Azules Project.

	<b>Nine Months Ended</b>	
	<b>September 30, 2009</b>	<b>September 30, 2008</b>
Summary of MSC's financial information from operations:		
Sales	\$ 108,193,284	\$ 91,680,644
Net income - MSC	11,372,636	18,717,533
Minera Andes Inc. portion (MAI) - 49%	5,572,592	9,171,591
Equity adjustments:		
Interest expensed by MSC and included in the equity method pickup	2,240,772	2,214,121
Amortization of pre 2008 capitalized interest on MSC loans	859,229	568,000
Income on Investment in MSC	8,672,593	11,953,712
Less amortization of MAI deferred capitalized costs	(807,000)	(512,000)
Net income on investment in MSC	\$ 7,865,593	\$ 11,441,712

Cash used in operating activities for the nine months ending September 30, 2009, was \$4.4 million, compared with \$4.8 million for the nine months ending September 30, 2008. This decrease of approximately \$0.4 million is primarily attributable to the following:

- an increase in general and administrative fees of \$0.7 million mainly due to costs related to audit and accounting, costs related to the December 2008 Cash Call paid in First Quarter 2009, costs related to the repayment of the Bank Loan, costs related to the McEwen Financing, responding to the review of our financial statements and continuous disclosure materials by the Alberta Securities Commission, corporate transition fees, and financial reporting advisory services;
- a decrease in foreign exchange loss of \$0.3 million due to the strengthening of the Canadian dollar;
- a decrease in interest income of \$0.2 million due to lower interest rates;
- a decrease in interest expense of \$0.6 million as the Bank Loan was paid during First Quarter 2009;
- an increase in wages and benefits of \$0.8 million, mostly due to severance payments;
- a decrease in income from rental of access roads of \$0.1 million; and

- an increase in accounts payable and accrued expenses of positive \$1.5 million cash flow which was related to the recording of capital and business taxes due in Argentina.

Cash used in investing activities was \$12.4 million for the nine months ended September 30, 2009, compared with \$23.4 million for the same period of 2008. Investing activities for the nine months ending September 30, 2009 and 2008 consisted primarily of payment of the MSC cash call in December 2008, investments in the San José Mine and expenditures related to the Los Azules Project program, and general exploration expenditures.

### **Financial Position**

#### *Related Party Payable*

The decrease in the related party payable is the result of the cash call of the December 2008 Cash Call \$11.3 million paid to MSC in February 2009.

#### *Bank Loan*

The Bank Loan of \$17.5 million was paid in full in March 2009, which included the accumulated amortization of the accretion of the debt discount of \$3.0 million to the repayment date and \$0.6 million of accretion on the early settlement of debt. The accretion of the debt discount over the term of the Bank Loan was to result in the value of the Bank Loan being fully accreted at the end of the term of the loan and the balance of the Bank Loan was to equal the required repayment at that time.

#### *Shareholders' Equity*

On August 19, the Corporation issued 26,700,000 units, on a "bought deal" basis, at a price of C\$0.75 per unit (the "Offering") equivalent to C\$20 million. In addition, the Corporation agreed to grant the Lead Underwriter an option (the "Over-Allotment Option") to purchase additional units of Minera Andes to raise additional gross proceeds of up to 15% of the Offering, on the same terms and conditions as the Offering, exercisable any time, in whole or in part, up to 48 hours prior to the closing date of the Offering. The Over-Allotment Option was exercised in full and the total gross proceeds to Minera Andes was C\$23 million. Each unit consisted of one (1) common share and one half of one common share purchase warrant, each whole warrant is exercisable at C\$1.25 for a period of 5 years after closing. In the event that the volume weighted average trading price of the Corporation's common shares on the TSX (or such other stock exchange or quotation system on which the Corporation's shares are listed and where a majority of the trading volume occurs), for a period of 20 consecutive trading days exceeds C\$2.50, the Corporation may, within five days after such an event, provide notice to the warrant holders of early expiry and thereafter, the warrants will expire on the date which is 30 days after the date of the notice to the warrant holders.

#### *Investment in MSC*

As at September 30, 2009, MAI's total investment in MSC was approximately \$88 million, as compared to \$81 million as at December 31, 2008. The financial position of MSC, as at September 30, 2009, and as at December 31, 2008, is summarized below:

**Minera Santa Cruz S.A**  
**Balance Sheets**

	<u>September 30, 2009</u>	<u>December 31, 2008</u>
<b>ASSETS</b>		
Current:		
Cash and cash equivalents	\$26,744,945	\$8,315,414
Trade Receivables	9,006,001	6,431,972
Receivables and prepaid expenses	7,281,173	17,262,801
Other receivables (VAT)	22,308,681	18,687,227
Inventories	5,424,960	12,704,568
Total current assets	<u>70,765,760</u>	<u>63,401,982</u>
Non Current:		
Receivables and prepaid expenses	1,659,860	3,154,753
Inventories	9,900,353	8,079,150
Deposits	780,736	1,401,661
Mineral properties and deferred exploration costs	85,354,945	96,016,617
Property, plant and equipment, net	140,786,502	129,317,405
Intangibles	34,238	45,650
Total non current assets	<u>238,516,634</u>	<u>238,015,236</u>
Total assets	<u><u>\$309,282,394</u></u>	<u><u>\$301,417,218</u></u>
<b>LIABILITIES</b>		
Current:		
Accounts payable and accruals	\$13,550,993	\$24,547,574
Other payables	-	-
Due to related parties	86,913,714	84,891,372
Taxes and social securities	4,194,450	4,612,355
Loans	20,330,950	20,332,356
Commitments and contingencies	266,557	169,338
Total current liabilities	<u>125,256,664</u>	<u>134,552,995</u>
Non current:		
Commitments and contingencies	5,882,105	5,769,223
Due to related parties	66,080,000	60,404,011
Total non current liabilities	<u>71,962,105</u>	<u>66,173,234</u>
Total liabilities	<u><u>197,218,769</u></u>	<u><u>200,726,229</u></u>
<b>SHAREHOLDERS' EQUITY</b>		
Common shares	113,162,402	113,162,402
Accumulated deficit	(1,098,777)	(12,471,413)
Total shareholders' equity	<u>112,063,625</u>	<u>100,690,989</u>
Total liabilities and shareholders' equity	<u><u>\$309,282,394</u></u>	<u><u>\$301,417,218</u></u>

**Summary of Quarterly Results**

Quarter Ended	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007
	\$	\$	\$	\$	\$	\$	\$	\$
Net income (loss)	5,220,219	994,122	(4,315,059)	(9,041,400)	(2,927,863)	9,499,921	(1,204,990)	(5,880,378)
Net income (loss) per share:								
Basic	0.02	Nil	(0.02)	(0.05)	(0.02)	0.05	(0.01)	(0.03)
Diluted	0.02	Nil	(0.02)	(0.05)	(0.02)	0.04	(0.01)	(0.03)

The changes in the quarterly net income or loss are a result of the change in the reported quarterly income or loss from MSC.

**Outstanding Share Data**

Our outstanding share data, as of November 15, 2009 is set out below:

Class and Series of Security	Number Outstanding	Value in US\$	Expiry Date of Convertible Securities	Relevant Terms
Common shares	262,398,851			
Stock options	8,830,000	\$10,164,751	Various (December 28, 2010 to September 30, 2014)	Exercisable for one common share each at Cdn\$0.31 to Cdn\$1.73
Purchase warrants	28,098,106	\$39,610,120	Various (December 21, 2009 to August 19, 2014)	Exercisable for one common share each at Cdn\$0.70 to Cdn\$2.00
Broker warrants	-	-	N/A	N/A
Agents compensation options - shares	1,104,282	\$1,750,938	December 21, 2009	Agents compensation options exercisable for for unit at C\$1.70. Each unit consists of one common share and 1/2 purchase warrant, exercisable at C\$2.00.
Agents compensation options - purchase warrants	552,140	\$1,029,962	December 21, 2009	

**Off-Balance Sheet Arrangements**

The Corporation has no off-balance sheet arrangements.

**Liquidity and Capital Resources**

As at September 30, 2009, the Corporation had an accumulated deficit of \$45.5 million and working capital of approximately \$18.1 million. At September 30, 2009, Minera Andes had cash and cash equivalents of \$20.9 million, compared to cash and cash equivalents of \$3.4 million as of December 31, 2008. Project financing for the San José Mine has been provided pursuant to the Project Loan Letter Agreement between Minera Andes, MSC and by assignment, the Hochschild Lender. The entire amount available (\$65 million) under the Project Loan letter Agreement has been advanced, of which the Corporation's share is \$31.9 million.

The operation of the San José Mine is subject to a number of risks, including the risk that the price of gold and silver may decline. If, and to the extent that cash from operations is insufficient for any reason including cost-

overruns and/or lower than expected sales or production, additional investment by the shareholders of MSC (including the Corporation) may be required. As a result, there can be no assurance that cash from operations at the San José Mine will be sufficient for these purposes, that additional cash calls will not be made or that the Corporation will be able to satisfy any such cash call, as and when required.

With the exception of its interest in the San José Mine, the Corporation is in the process of exploring its other properties and has not yet determined whether these properties, other than the San José Mine, contain reserves that are economically recoverable, although an independent positive Preliminary Economic Assessment was completed in March 2009 on the Los Azules project, which is an advanced stage exploration project. The amounts shown on the Corporation's balance sheet as mineral properties and deferred exploration costs represent net costs incurred to date, less amounts recovered from third parties and/or written off, and do not necessarily represent present or future values. The recoverability of amounts shown on the balance sheet for mineral properties and deferred exploration costs depend upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining the financing required to explore and develop the properties, entering into agreements with others to explore and develop the mineral properties, and upon future profitable production or proceeds from disposition of the mineral properties. In the future, the Corporation's ability to continue its exploration activities, if any, will depend in part on the Corporation's ability to generate material revenues or to obtain financing through issuance of equity securities, debt financing, joint venture arrangements or other means.

Year to date the Corporation has been successful in funding the repayment of its debt obligations and working capital requirements through the issuance of stock for gross proceeds of a C\$40 million private placement and the C\$23 million common share offering. The Corporation is currently investigating all financing options available to it in order to raise sufficient amounts, in the short term and the long term, to maintain the Corporation's ability to meet its planned growth and to fund its development and exploration activities. Although we have been successful in securing financing in the past, current global financial conditions, including volatility in the prices for all commodities, the scarcity of public financing, and market turmoil combined with our current financing condition may make it difficult for us to secure the required financing on reasonable terms, if at all. If the Corporation would be unable to meet its ongoing obligations on a timely basis, it could result in the loss or substantial dilution of the Corporation's interests in its properties.

There is no assurance that the Corporation will be successful in these financing activities. Our ability to continue in operation is dependent on our ability to receive cash flow from operations and/or secure financing. If the Corporation does not receive cash flow from operations or secure financing, there would be doubt about our ability to continue as a going concern. The Corporation's financial statements do not include the adjustments that would be necessary should the Corporation be unable to continue as a going concern.

As of September 30, 2009, the amount outstanding under the Project Loan Payable and the Project Loan Receivable is \$31.9 million, plus accrued interest. The Corporation's contractual obligations as at September 30, 2009 are as follows:

Contractual Obligations		Payments Due by Period Ending			
	Total	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012
Long-Term Debt - Project Loan Payable <sup>(1)</sup>	\$31,850,000	Nil	\$13,475,000	\$13,475,000	\$4,900,000
Operating Lease Obligations <sup>(2)</sup>	\$30,348	\$10,308	\$20,040	Nil	Nil
Total	\$31,880,348	\$10,308	\$13,495,040	\$13,475,000	\$4,900,000

Notes:

- (1) The Corporation's obligations under the Project Loan Payable are offset by corresponding obligations under the Project Loan Receivable, including repayment and interest. Terms of payment have not yet been finalized.
- (2) Consists of various lease agreements for office and storage space in Spokane, United States, Vancouver, Canada and Mendoza, Argentina.

In addition, on December 2, 2003, the Corporation signed an agreement that obligates us to pay N.A. Degerstrom, Inc. (the vendor of the original exploration properties), a royalty of \$250,000, if any of the properties owned at the date of signing the agreement, other than the properties comprising the San José Mine, meet certain conditions such as bankable feasibility or commercial production prior to December 2, 2013. As at November 15, 2009, no payments are required to be made under this agreement.

The operation of the San José Mine is subject to a number of risks, including the risk that the price of gold and silver may decline and that production is less than expected. If, and to the extent, cash from operations is insufficient for any reason including cost-overruns and/or lower than expected sales or production, additional investment by the shareholders of MSC (including the Corporation) may be required to finance future operations and capital investments at the San José Mine. Capital expenditures at the San José Mine include exploration and sustaining investments. As a result, there can be no assurance that cash from operations at San José will be sufficient for these purposes, that additional cash calls will not be made as a result or that the Corporation will be able to satisfy any such cash call, as and when required.

The Corporation has a 49% interest in MSC, which is controlled by Hochschild. Accordingly, the Corporation does not have any control or direction over the timing or amount of any cash call nor can it compel a distribution of cash by MSC to the Corporation as a shareholder of MSC's. As a result, there is also no assurance that the Corporation will ever receive cash from the operations of the San José mine or that additional cash calls will not be made.

Although the Corporation has funds on hand for the funding of its day-to-day operations, unless it raises additional funds, it does not have sufficient cash and cash equivalents to do so over the long-term to finance growth and development opportunities or to fund an unexpected additional cash call by MSC, if such event were to occur.

### **Financial Instruments**

During the three month and nine month periods ended September 30, 2009, and the year ended December 31, 2008, the Corporation used a combination of cash and debt to maintain an appropriate capital structure and ensure sufficient liquidity to meet the needs of the business. The Corporation has not executed any interest rate contracts or other derivative financial instruments to manage the risks associated with its operations and, therefore, in the normal course of business the Corporation is inherently exposed to a number of risks related to changes in foreign currency exchange rates, interest rates, credit risk, liquidity risk and commodity price fluctuations.

The Corporation holds certain financial instruments such as cash and cash equivalents, receivables, the Project Loan Receivable, the Project Loan Payable and related interest receivable and payable, accounts payable and accruals, bank loan and related party payable. All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are recorded in the balance sheet either at fair value or at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows:

- Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATIONS

- Available-for-sale financial instruments are measured at fair value with change in fair value recorded in other comprehensive income until the instrument is derecognized. The Corporation has classified its cash and cash equivalents as held-for-trading.
- Receivables and project loan and interest receivable were classified as loans and receivables.
- Accounts payable and accruals, project loan and interest payable, bank loan and related party payable were classified as other financial liabilities.

The carrying value and fair value of the Corporation's financial assets and liabilities as at September 30, 2009 and December 31, 2008, is summarized as follows:

	September 30, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Held-for-trading	\$20,884,927	\$20,884,927	\$3,409,593	\$3,409,593
Loans and receivables	\$38,850,732	\$38,850,732	\$36,847,761	\$36,847,761
Held-to-maturity	-	-	-	-
Other liabilities	\$41,659,867	\$41,659,867	\$67,679,960	\$67,679,960

The fair value of the cash and cash equivalents, receivables, current Project Loan interest receivable, accounts payable and accruals, and current Project Loan interest payable, and related party payable approximate their fair values due to their short term nature. The fair value of the non-current debt approximates the amortized cost as the interest rates reflect the estimated market rates.

*Foreign currency exchange risk*

The Corporation is exposed to foreign currency risk on fluctuations in our Canadian denominated cash, accounts payable and accrued liabilities. The net asset amount of Canadian dollars subject to foreign currency fluctuations as at September 30, 2009, was \$22.3 million dollars. As a result, every percentage change in the US/Canada exchange rate will affect our income by approximately \$0.2 million on a per annum basis. As at September 30, 2009, the Corporation also had cash, accounts payable, and accrued liabilities in Argentinean pesos. However, these amounts are typically only held (in the case of cash) or outstanding (in the case of accounts payable and accrued liabilities) for a short period of time so the foreign exchange risk is minimal. As a result, the Corporation has not used derivative instruments to mitigate such risks.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation has an outstanding balance of \$31.9 million under the Project Loan Payable, plus accrued interest. The Project Loan Payable currently bears fixed interest at LIBOR plus 2.5%, 8.21%, based on the rate at the inception of the project loan payable.

The terms including the interest rate of the Project Loan Receivable however are the same as the terms of the Project Loan Payable. As a result, interest rate changes affecting the Project Loan Receivable are offset by the effect of the same fluctuations on the Project Loan Payable.

The Corporation has not used any derivative instruments to mitigate interest-rate risks.

*Credit risk*

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risk consist of cash and cash equivalents, and the Project Loan Receivable and interest due thereon.

The Corporation's cash and cash equivalents consist of deposit instruments that are held with major financial institutions in Canada and are not considered a material credit risk to the Corporation. The Corporation also holds US dollars in an account at a United States financial institution and pesos in an international bank in Argentina. Funds held in the US and Argentina are held for the purposes of meeting existing accounts payable and current payroll. The credit risk of cash and cash equivalents held outside of Canada is not considered a material credit risk to the Corporation.

Management has determined that the credit risk associated with the Project Loan Receivable is mitigated by positive cash flows anticipated from MSC, frequent receipt of financial information regarding the operations of MSC, MSC's proven and probable reserve report, the present value of silver and gold, and financial support by its majority shareholder, Hochschild. Moreover, the Project Loan Receivable will not be collected until the Project Loan Payable is paid and vice versa. Management does not believe that the Project Loan Payable and Project Loan Receivable present significant credit risks, however, should MSC be unable to settle amounts due, the impact on the Corporation could be significant. The maximum exposure to a loss arising from Project Loan Receivable is equal to its total carrying value on the balance sheet. The Corporation has not used derivative instruments to mitigate such risks.

#### *Liquidity risk*

The Corporation's approach to managing the liquidity risk is to provide reasonable assurance that it can provide sufficient capital to meet liabilities when due. The Corporation's ability to settle short-term and long-term liabilities when due is dependent on future liquidity from capital sources or positive cash flows from its projects. At September 30, 2009, the Corporation's accounts payables and accrued liabilities were \$2.9 million, all of which are due for payment within normal terms of trade, which is generally 30 to 60 days. The Corporation regularly reviews its receivable balances and follows up on amounts past due. Should sufficient cash not be available to settle liabilities, the Corporation also relies on equity, third-party and related party financing to manage its liquidity and the settlement of liabilities. The Corporation has not used any derivative or other financial instruments to mitigate this risk.

#### *Commodity price risk*

The Corporation's profitability depends on metal prices for gold and silver and, if other projects enter into production, on copper prices and other base metals. Gold, silver and copper prices are affected by numerous factors such as the sale or purchase of gold and silver by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the US dollar and foreign currencies, global and regional supply and demand, and political and economic conditions of major gold, silver and copper-producing countries throughout the world.

It may not be possible for the Corporation to hedge its exposure to gold and silver sales arising from its equity investment in MSC, and MSC does not hedge its sales. In the event that one of the Corporation's exploration projects enter into production and revenue contracts are entered into in respect of other commodities and base metals, the Corporation will consider the relative merits of entering into commodity price hedges, at that time.

#### **Related Party Transactions**

As previously stated, under the terms of the Project Loan Letter Agreement among the Corporations, the Hochschild Lender and MSC, the San José Mine has been financed by Project Loans made thereunder by the Hochschild Lender. For the purposes of CICA Handbook section 3840, MSC is a related party to the Corporation.

As at November 15, 2009, the total principal amount of the Project Loan Receivable (owing to the Corporation by MSC) is \$31.9 million and the total principal amount of the Project Loan Payable (owing by the Corporation to the Hochschild Lender) is \$31.9 million, in each case, plus accrued interest.

On February 17, 2009, the Corporation entered into an amended and restated private placement agreement with Mr. McEwen in respect of the McEwen Financing. As previously stated, pursuant to the McEwen Financing Mr. McEwen purchased an aggregate of 40 million common shares at a purchase price of C\$1.00 per share.

In connection with the McEwen Financing, Mr. McEwen was granted the right to nominate an additional two directors to the Corporation's board. Messrs. Richard Brissenden and Michael Stein were appointed as directors of Minera Andes on February 23, 2009, pursuant to the exercise of this right. In addition, the Corporation agreed to use all reasonable efforts to cause its board of directors to pass such resolutions and to take such other actions as may be required in order to maintain the number of members of the board of directors of the Corporation at not more than seven.

On February 23, 2009, Robert R. McEwen was appointed Executive Chairman of Minera Andes Inc. and on June 18, 2009, Mr. McEwen became the President and Chief Executive Officer replacing Allen V. Ambrose.

The Corporation pays a management service fee to a related party, 2083089 Ontario Inc. ("208"). 208 is a company controlled by Robert McEwen, the chairman and chief executive officer of the Corporation and beneficial owner of more than 5% of our voting securities. Mr. McEwen is also the chief executive officer and director of 208, which provides management services to a number of entities in which Mr. McEwen has significant equity interests. The management service fees cover inter-alia, rent, office expenses, and other administrative services on a cost recovery basis. During the three and nine month periods ended September 30, 2009, the Company paid \$16,056 and \$20,169, respectively. For the three and nine month periods ended September 30, 2008, the Company paid \$Nil and \$2,092, respectively.

## **Outlook**

### *General*

The Corporation raised C\$40 million in February 2009 as a result of the McEwen Financing, allowing repayment of the Corporation's debt obligations and funding its working capital requirements to maintain its capacity, meet planned growth and fund development activities in the short term. It is management's intention to continue to fund its operations through debt or equity in the future until such time that the Corporation's investment in San José Mine becomes cash flow positive.

The Corporation closed a short form prospectus equity offering on August 19, 2009, whereby a syndicate of underwriters purchased for resale to the public and Minera Andes issued 26,700,000 units, each unit consisting of one common share and one half of a warrant to buy one common share at a price of C\$1.25 per unit ("the Offering"), on a "bought deal" basis, equivalent to C\$20 million, and 4,005,000 underwriter over allotment options equivalent to C\$3 million.

In late June 2009, the San José mine reached expanded mine production to 1,500 tonnes per day, which is consistent with the recently increased capacity of the processing facility.

In February 2009 the payment by the Corporation and Hochschild of the December 2008 Cash Call was to remedy a working capital deficiency at MSC existing as at December 31, 2008. MSC has since then advised the Corporation that going forward it expects that cash from operations will provide sufficient funds to finance operating costs and capital expenditures at the San José Mine. If such is not the case, the Corporation may be required to raise additional funds in response to an additional cash call.

## **Critical Accounting Estimates**

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 (a) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and (b)

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 accounting policies that are most critical to the portrayal of our current financial condition and results of operations are set out below:

#### *Investment in MSC*

Our investment in MSC is accounted for using the equity method. Under this method, our share of earnings and losses is included in the statement of operations and the balance of the investment is adjusted by an equal amount.

#### *Mineralization and Deferred Development Costs*

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the property is 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 are first credited against the carrying value of the property, with any excess included in operations for the period. Where the Corporation enters into an option agreement for the acquisition of an interest in a mining property which provides for periodic payments, such amounts are payable entirely at the Corporation's option. If a property is abandoned, the property and deferred exploration costs will be written off to operations. On a quarterly basis, we evaluate the future recoverability of our mineral properties and deferred exploration costs. Long-lived assets, including mineral properties and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the asset. An impairment is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

#### *Stock-Based Compensation*

The Corporation applies the fair value method of accounting for all stock option awards. Under this method, the Corporation recognizes a compensation expense for all stock options awarded to employees and non-employees based on the fair value of the options on the date of grant, which is determined by using the Black-Scholes option pricing mode. In situations where stock options are granted in exchange for services directly related to specific mineral properties, the expense is capitalized against the mineral property. The value assigned to stock options in contributed surplus is subsequently reduced if the options are exercised and the amount so reduced is then credited to share capital.

#### *Project Loan Receivable and Project Loan Payable*

Under the terms of the Project Loan Letter Agreement, the Corporation accounts for the Project Loan Receivable and Project Loan Payable using estimates provided by MSC on a monthly basis detailing actual expenditures and associated cash flows as well as forecasted future cashflows. Classification between the long-term and short-term portion of the Project Loan Receivable and Project Loan Payable are dependent on the reliability of the estimates provided to the Corporation by MSC. As the Corporation does not exert control over the financial reporting processes of MSC these estimates are subject to material uncertainties. To the extent possible management mitigates such uncertainty by reviewing such estimates including the appropriateness of significant assumptions in a timely and thorough fashion. To this end, the Corporation has engaged personnel in Argentina to deal directly with MSC (on site) so that information provided by MSC can be verified immediately and

directly with MSC. Significant assumptions by MSC, which affect the Corporation's accounting for the Project Loan Receivable and Project Loan Payable, include the future price of gold and silver, capital and operating costs, accuracy of capital budgets, interest rates and production and recovery rates. The Corporation uses an undiscounted cash flow approach for the evaluation for impairment of the MSC investment. Discussions are held with management and geologists, and based on the results to date, anticipates the value of this investment being in excess of the amount capitalized.

### **Changes in Accounting Policies including Initial Adoption**

#### *Business Combinations*

In January 2009, the Accounting Standards Board (AcSB) issued the following new Handbook sections: 1582 – Business Combinations, 1601 – Consolidations, and 1602 – Non-Controlling Interests. These standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Corporation has not yet determined the impact of the adoption of these standards on its consolidated financial statements.

#### *Financial instruments*

In June 2009, the CICA amended Handbook Section 3862 – Financial Instruments – Disclosures to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises. The amendments are applicable for the Corporation's annual consolidated financial statements for its fiscal year ending December 31, 2009.

In June 2009, the CICA amended Section 3855 to clarify the application of the effective interest method after a debt instrument has been impaired and when an embedded prepayment option is separated from its host debt instrument at initial recognition for accounting purposes. The amendments are applicable for the Corporation's interim and annual financial statements for its fiscal year beginning January 1, 2011. Earlier adoption is permitted.

#### *Goodwill and Intangible Assets*

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Concurrent with the introduction of this standard, the CICA withdrew EIC-27, "Revenues and Expenses During the Pre-operating Period". As a result of the withdrawal of EIC-27, companies will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations. The changes are effective for interim and annual financial statements beginning January 1, 2009. The adoption of this accounting policy did not have any impact on the Corporation's consolidated financial statements for the three and nine months ended September 30, 2009.

#### *International Financial Reporting Standards*

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Adoption of IFRS will impact the Corporation's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency, certain contractual arrangements, capital requirements and compensation arrangements.

During the First Quarter 2009, the Corporation commenced the scoping and planning phase of its changeover plan. The Corporation has designated the appropriate resources to the project to develop an effective plan and

will continue to assess resource and training requirements as the project progresses. The Corporation has identified the following four phases of its conversion plan: scoping and planning, detailed assessment, operations implementation and post implementation. The scoping and planning phase involves establishing a project management team, mobilizing organizational support for the conversion plan, obtaining stakeholder support for the project, identifying major areas affected and developing a project charter, implementation plan and communication strategy. The Corporation anticipates completing the scoping and planning phase in the fourth quarter of 2009. The detailed assessment phase ("phase 2") will result in accounting policies and transitional exemptions decisions, quantification of financial statement impact, preparation of shell financial statements and identification of business processes and resources impacted. The operations implementation phase ("phase 3") includes the design of business, reporting and system processes to support the compilation of IFRS compliant financial data for the opening balance sheet at January 1, 2010, fiscal 2010 and thereafter. Phase 3 also includes ongoing training, testing of the internal control environment and updated processes for disclosure controls and procedures. Post implementation ("phase 4") will include sustainable IFRS compliant financial data and processes for fiscal 2011 and beyond. The Corporation will continue to monitor changes in IFRS throughout the duration of the implementation process and assess their impacts on the Corporation and its reporting.

### **Risks and Uncertainties**

The Corporation's operations and results are subject to a number of different risks. The Corporation's risk factors are discussed in detail in the Corporation's annual information form dated March 24, 2009, which is available on SEDAR ([www.sedar.com](http://www.sedar.com)) and should be reviewed in conjunction with this document.

### **Non-GAAP Measures**

In this MD&A, we use the term "operating or production cash cost". Production cash costs are calculated on a co-product basis and are calculated by dividing the respective proportionate share of the total costs for the period attributable to each metal by the ounces of each respective metal produced. Total costs are the sum of the geology, mining, processing plant, general and administration costs divided by the number of ounces of gold and silver produced at the mine. Production cash costs include royalties, refining and treatment charges and sales costs applied to doré but the concentrate sales do not include refining, treatment charges and sales costs. Depreciation is not included in the calculation of production cash costs.

We use production cash cost per ounce as an operating performance indicator. We provide this measure to provide additional information regarding operational efficiencies at the San José Mine. Production cash cost per ounce should be considered as a non-GAAP performance measure and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Cash cost per ounce is based on information from MSC and does not impact the Corporation's consolidated financial statements. There are material limitations associated with the use of such non-GAAP measures. Since these measures do not incorporate revenues, changes in working capital and non-operating cash costs, they are not necessarily indicative of operating profit or cash flow from operations as determined in accordance with GAAP. Changes in numerous factors including, but not limited to, mining rates, milling rates, gold grade, gold recovery, and the costs of labour, consumables and mine site operations general and administrative activities can cause these measures to increase or decrease.

Furthermore the foregoing non-GAAP measures are not standardized and therefore may not be comparable to similar measures disclosed by other issuers.

### **Additional Information**

Additional information relating to Minera Andes, including our annual information form, is available under our profile at SEDAR at [www.sedar.com](http://www.sedar.com).

## **Management's Report on Internal Control over Financial Reporting**

### ***Disclosure Controls and Procedures***

The Corporation's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting.

The Corporation's management, together with the CEO and CFO, has evaluated the effectiveness of the Corporation's disclosure controls and procedures. Based upon the results of that evaluation, the Corporation's CEO and CFO have concluded that, as of the end of the period covered by this report, the Corporation's disclosure controls and procedures were effective to provide reasonable assurance that (i) material information relating to the Corporation is made known to them by others particularly during the period covered by this MD&A; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported, within the time periods specified in securities legislation.

### ***Internal Controls over Financial Reporting***

The Corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance GAAP. The Corporation's controls and procedures include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately reflect the transactions and dispositions of the assets of the Corporation;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Corporation's assets that could have a material effect on the annual financial statements or interim financial statements.

There were no changes in our internal control over financial reporting for the three and nine months ended September 30, 2009, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### ***Limitations of Controls and Procedures***

The Corporation's CEO and CFO believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Corporation have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may not be detected.

***Cautionary Statement on Forward-Looking Information***

Certain statements and information in this MD&A, including all statements that are not historical facts, contain forward-looking statements and forward-looking information within the meaning of applicable US and Canadian securities laws. Such forward-looking statements or information include, but are not limited to, statements or information with respect to the cash from operations at the San José Mine and the future cash requirements of MSC, the estimated operating and capital costs of the San José Mine, the Corporation's intention to complete a further financing in the near term, the Corporation's interest in the San José Mine being maintained at 49%, the future price of gold, silver, copper and other base metals, production estimates, estimation of mineral reserves, exploration and development capital requirements, and our goals and strategies. Often, these statements include words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", or "might" be taken, occur or be achieved.

In making the forward-looking statements and providing the forward-looking information included in this MD&A, we have made numerous assumptions. These assumptions include among other things, assumptions about the price of gold, silver, copper and other base metals, decisions to be made by our joint venture partner in respect of the management and operation of the San José Mine, anticipated costs and expenditures, future production and recovery, that the supply and demand for gold, silver and copper develop as expected, that there is no unanticipated fluctuation in interest rates and foreign exchange rates, that there is no further material deterioration in general economic conditions and that we are able to obtain the financing, as and when, required to, among other things, maintain our interest in the San José Mine. Although our management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that the forward-looking statements will prove to be accurate. By their nature, forward-looking statements and information are based on assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the following: actions by, and our relationship with, our joint venture partner, including decisions regarding the amount and timing of future cash calls, that any cost overruns or cash shortfalls at the San José Mine may result in a requirement for additional investment by us, our lack of operating cash flow and dependence on external financing, availability of financing, as and when, required to meet any future cash calls in respect of the San José Mine (to maintain our interest therein), and to finance our day-to-day operations and planned growth and development, any decline in the prices of gold, silver, copper and other base metals, changes in general economic and business conditions, economic and political instability in Argentina, discrepancies between actual and estimated production and mineral reserves and resources; operational and development risk; the speculative nature of mineral exploration and regulatory risks.