MININGINSIGHTS ORESEARCH

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Minera Andes Inc. (MAI-V $0.31) and La Mancha Resources Inc. (LMA-V $1.77 down $0.23)

MINERA ANDES AND LA MANCHA SUGGEST MERGING

And one look at the market's response suggests La Mancha shareholders are quite displeased with the news. Did I say 'shareholders'? Sorry. As an indication of La Mancha liquidity, precisely ONE trade of 1,000 shares was done today 23c lower than the prevailing market price. Wow.

"Senor Florismarte here?" said the curate; "then by my faith he must take up his quarters in the yard, in spite of his marvelous birth and visionary adventures, for the stiffness and dryness of his style deserve nothing else; into the yard with him and the other, mistress housekeeper." From Don Quixote, Chapter VI, by Miguel de Cervantes S., 1605.

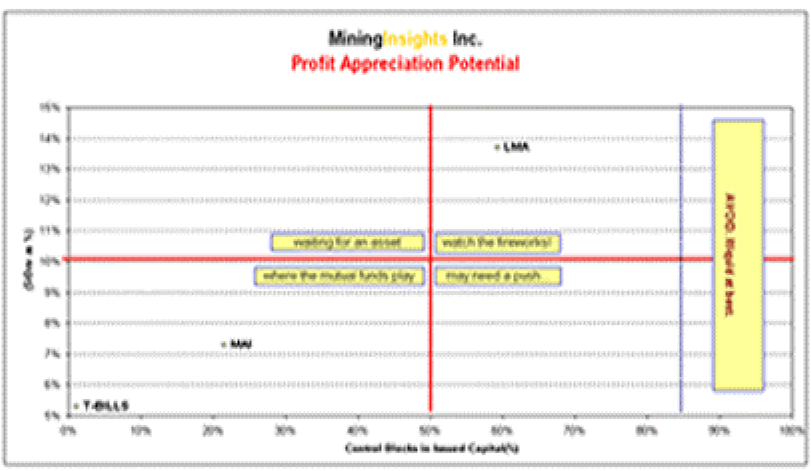
Might it be uncharitable to suggest this passage from Don Quixote (ostensibly the Man of La Mancha, La Mancha being the village el Sr. Quixote hails from in the classic Cervantes novel) reflects the view of Members displeased with Minera Andes? Sorry, Allen and Brian, but in Mining Insights Inc. opinion, your visionary adventures that have generated a great deal of project advancement seem compromised by the stiffness and dryness of this corporate assignation.

Here's how the merger would work: First, La Mancha shareholders (and by the management proxy there is at least one) get 4.5 Minera Andes shares for each La Mancha share. So, La Mancha's 4,978,912 shares become 22.405MM Minera Andes shares and the total share capital goes to 58,134,197 shares. Then, the merger proceeds and the new company is named La Mancha Mining Inc. A 4.5 to one rollback as part of this merger for the total shares reduces the share capital to 12,918,710 shares and ensures that the La Mancha shareholders DO NOT take a rollback hit on their contribution to the merged entity.

Something MAI shareholders might find interesting is that on February 6, 2003, La Mancha had 2,905,487 shares – it is in the management proxy on page 4. On May 16, La Mancha had 4,978,912 shares out – check the news release of the same date. Two million of the new shares went to a company controlled by a La Mancha director as payment for the Hualilan Gold Project in Argentina (I'll get to this in a second). This property acquisition also calls for an additional 5MM shares to be issued over an exploration period with US$2.5MM in work expenditures. So Mr. Walter Berukoff, a La Mancha director and the President/CEO of the company that acquired Hualilan has 2,850,000 in aggregate in the new company, or about 22%.

By contrast, the next largest shareholder is probably the Degerstrom family, whose 7.45MM shares will go to 1.65MM shares on this deal, or 12.7%. Minera Andes management, and La Mancha management other than Mr. Berukoff have a negligible share position pre deal.

>>>MII LIQUIDITY ANALYSIS



This should be of interest to MAI Member shareholders – a direct comparison of MII Liquidity analysis parameters between ultra-liquid MAI and, ah, not ultra liquid LMA stock. Here goes – Minera Andes traded 230 days over the last year. Trades violated the 10% MI Max Block rule on 36 days, for an MII Liquidity score of 84%. The average trade size was 4369 shares worth C$1821.00. The stock made a nice 100% plus over the last year with MII Volatility ranking of a respectable but conservative 7.5%.

La Mancha Resources Inc. started trading on June 6, 2002 at 35c. Within a month the company had put on a buck per share, with 31 trades averaging 4320 shares each. A liquid run? Not really. La Mancha traded 54 days over the last 11 months, and violated the MII Max Block 10% rule 13 times for an MII Liquidity score of 75%. The average trade size was 1780 shares worth C$2181.00. On trade size and value; a merger of equals? MII Volatility was 13.7%.

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With MII PROFIT APPRECIATION plotted on 'largest shareholder control blocks' alone, you see MAI shareholders are moving from a lower risk liquidity vehicle favoured by global fund and professional investors for a higher risk volatility vehicle favoured by a much smaller percentage of global investors.

>>>THE LA MANCHA ASSET

Handing over corporate control to a non-liquid exploration entity must mean there is a serious La Mancha asset base behind the deal, right? Well, you be the judge.

La Mancha acquired the Hualalina project from a local Argentinian entity for work commitments of US$2.5MM and 5MM shares over the next four years. A La Mancha news release on May 14 outlined a report by an independent consultant giving a measured and indicated resource of 209,187 oz gold-equivalent in about 444,000 tonnes and noting that an 800 tonne per day flotation plant was in place on the property.

A flotation plant? Is this a BASE METAL project? Regretfully, La Mancha didn't post the consultant's report on Sedar or the La Mancha website, so we can't actually tell. Actually, La Mancha doesn't have a website, so we're out of luck in understanding just what Hualalina offers to MAI Member shareholders.

Well, not quite– the Argentina government has a great summary website. In 1995, consultants mapped the Cerro Norte area, did extensive sampling and drilled 1432m of reverse circulation holes. They hit gold grades of between 4.5-to 8.2-g/t gold and up to 10 g/t in drill hole intersections. In 1996, a Chilean company calculated a resource, and in 1999, a geophysical company did a magnetometer survey. Aha – you don't usually use a mag survey to look for gold, unless the gold is in a base metal suite.

Also in 1999, the Argentinian company did 4200m of diamond drilling, 1800m of reverse circulation drilling, and drove a 500m tunnel. A 100 tonne bulk sample assayed 12-g/t gold, 2.5% zinc, 0.22% copper, and 1% lead. Yes, this is a base metal development project with most of the value coming from gold. Hence the 'flotation' plant. The gold is in the pyrite, the silver is the galena (like Western Silver) so you have to produce the lead to get the silver, and chalcopyrite for the copper.

The Argentinian report is found here: http://www1.hcdn.gov.ar/dependencias/cmineria/hualilan.htm

>>INVESTMENT CONCLUSION

MAI Member shareholders control 407,000 shares and are sitting on a portfolio gain of 115%. Well, regretfully, it looks like your profits have likely come to an end. This 'merger' deal looks every bit like a reverse takeover of Minera Andes Inc. by a non-liquid shell in which ONE shareholder controls almost 60%. The 'visionary adventures' of Minera Andes management in taking Huevos Verdes from a raw exploration project to a future mine and bringing Brancote Holdings and Meridian Gold into the asset mix promise underlying value creation in its' own right.

Now, project advancement in the MAI asset portfolio seems subjugated to the exploration option on the ultra-small base metal mine with a gold and silver credit. There is no question that MAI management comprises an excellent geological team and if there is something of substance there, Allen and Brian are likely to find it. In the current market, though, is it better than Huevos Verdes and initial production coming on stream? Not in my opinion.

If, as has been speculated, the deal is being done to increase capital markets acceptance, and MAI management think Wally Berukoff is the guy to do it, why not just ask him to join the Board. Why hand over the company? Certainly the access to capital markets premise is to be tested, since La Mancha's C$102,000 and Minera Andes' US$319,000 in net liquid assets isn't going very far in exploration.

Member MAI shareholders, if you agree with this analysis, let me know and we'll tell the company together. If you do sell your shares prior to having them rolled back, please let me know so I can update the MII GLOBAL MINING PORTFOLIO accordingly.

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