

Pilot Plant-Fully Functional And Producing

Vancouver, BC, July 31, 2001- Andean American Mining Corp is pleased to provide an update on the Santa Rosa Project. The Santa Rosa Property is a 100% undivided interest under ownership and option by Andean American. The Santa Rosa properties are located 550 km southeast of Lima, Peru. The Santa Rosa Pilot Plant Project is not part of the joint venture with Placer Dome del Peru and is 100% to the benefit of Andean American.

Further to our news release of July 23rd , the pad overliner has been completed and leachable material is being loaded on the first pad, the secondary crusher is fully functional. Additional pads are being developed.

We wish to express our sincere thanks and appreciation to Antonio Chavarry, Mine Manager and his team for their outstanding performance and perseverance in attaining this milestone. Very few Exploration and Development companies ever get to production in their corporate lives. We are thankful for the opportunity and appreciative of all the efforts that have gone into achievement of this Major Milestone.

The capital cost for the Pilot Plant including Pit Development is 1 million U.S. dollars including pre-production interest. The Company will recover these costs over the first million tonnes of production.

Management's philosophy

The decision to place the Pilot Plant into trials and production was taken seriously by the Board of Directors.

Consideration in the Board's decision have previously been reviewed from an elements of success perspective. The overriding factor was, and continues to be, the need to get to positive operating cash flow. The Pilot Plant production should provide this. If attained, positive operating cash flow proceeds will be used to:

- a) Repay convertible debentures
- b) Complete land acquisitions
- c) Repay all current project debt instruments
- d) Continue exploration in support of operations
- e) Reactivate Sinchao
- f) Working Capital

Positive operating cash flow allows the Company to explore and develop as a Company independent of the market place, which has been focused on investments other than mining.

Operating Costs

Many shareholders have expressed strong interest into the cost of a recovered ounce of gold. The Company again wishes to be clear that cost by definition is incurred. The estimates of cost of production used by the Company for internal purposes are based upon firm prices for contracted services or materials. The production process flow has the following cost components:

- All Pit Development By Contract, per tonne
- All Drill, Blast and haul By Contract, per tonne
- Haul to waste By Contract, per tonne
- All Crushing, screening By Contract, per tonne
- All Stacking, Agglomeration By Contract, per tonne
- All Pad Loading; Collection and Circulation By Contract, per tonne

All Supplies and Chemicals By Company, per tonne
All Recoveries & Smelting By Company, per tonne

This sets up a high degree of predictability for the estimated cost per tonne of \$8.00. Capital cost recovery will be at \$1.00/tonne for the first million tonnes. There are however several other factors affecting the cost of a recovered ounce of gold. Three principal components will determine actual costs.

- a) The actual waste to ore ratios - currently less than one to one.
- b) The actual gold and silver content per tonne - all tests indicated 4 g/t Au, 2.5 oz/t Ag.
- c) The actual recoveries of gold and silver – current tests indicate 80% Au and 50% Ag.

Without these actual results there can only be estimates.

As it relates to actual cost for a recovered ounce of gold, the Company believes a period of balancing and adjusting will take place in the Pilot Plant. The production rate is being tuned up on site now, once this is accomplished, actual costs and recoveries will be utilized to determine the cost of a recovered ounce of gold . This nformation will be released with full production details.

Profits after Taxes

Peru has recently reduced its corporate tax rate from 30% to 20%. This is positive in the longer term. In the near term, Andean American has pre-production costs from all our works in Peru which create over 25 million in deduction from taxable income. Once earnings have exceeded the pre-production expenses, the lower rate will come into consideration.

Lastly, on behalf of Andean American Mining Corp we congratulate President Alejandro Toledo on his ascension to the Presidency of the Republic of Peru. We wish you and your Ministers and Government every success.

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On behalf of Andean American Mining Corp

"John F. Hugué

President & CEO

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