

## Andean American News Release

Vancouver, B.C., February 20, 2003. Andean American Mining Corp. (TSX-V:AAG), in accordance with National Instrument 54-102 provides the interim financial results of the Company for the quarter ended December 31, 2002.

	Three Month Period Ended December 31		Nine Month Period Ended December 31	
	2002	2001	2002	2001
	\$	\$	\$	\$
SALES OF GOLD	<u>1,176,706</u>	-	<u>3,057,667</u>	-
COST OF SALES	580,276	-	1,690,058	-
DEPRECIATION AND DEPLETION	116,285	-	353,697	-
RECLAMATION	<u>2,044</u>	-	<u>6,572</u>	-
EARNINGS FROM MINING OPERATIONS	<u>698,605</u>	-	<u>2,050,327</u>	-
ADMINISTRATIVE EXPENSES	478,101	-	1,007,340	--
INCOME (LOSS) BEFORE OTHER ITEMS	<u>240,599</u>	<u>105,987</u>	<u>621,957</u>	<u>384,233</u>
OTHER ITEMS	(118,979)	(114,273)	(424,535)	(351,781)
INCOME (LOSS) FOR THE PERIOD	118,523	(220,260)	(39,152)	(736,014)
DEFICIT - BEGINNING OF PERIOD	<u>(16,046,082)</u>	<u>(15,419,372)</u>	<u>(15,888,407)</u>	<u>(14,903,618)</u>
DEFICIT - END OF PERIOD	<u>(15,927,559)</u>	<u>15,639,632</u>	<u>(15,927,559)</u>	<u>15,639,632</u>

### **Description of Business:**

Andean American Mining Corp. is a gold producer and a Canadian based exploration and development company that operates solely in Peru. This South American nation has a long tradition of mining and proper treatment of the environment. Peru currently stands as the largest gold producer and second largest copper producer in Latin America as well as the second largest silver producer in the world.

During the year ended March 31, 2002, the Company developed and constructed a heap leach facility to extract gold from a small portion of its Santa Rosa property in Peru. Gold extraction and sale from this facility commenced in limited quantities in August 2001. By March 2002, production rates had increased and stabilized sufficiently that the Company declared the commencement of commercial production to be in March 2002. All costs and revenue to February 28, 2002, during the "start up" period, have been charged (credited) against development costs. Profitable mining operations have allowed the company to expand their marginal operations to more reliable plant and equipment and thus more profitable operations.

### **Operations Review**

This is the first quarter in which a profit was achieved after all costs including interest had been deducted. This also is the fourth consecutive quarter with earnings from operations have been achieved. The earnings for the quarter were \$118,500, an improvement of \$115,740 over the previous quarter. Cash from mining operations of \$596,400 is \$0.017 per share, based on outstanding shares at December 31, 2002 (34,601,461).

The actual production for the quarter was well below budget although costs per produced ounce made progress and recoveries continue to make progress. The new crushing facility should bring relief in early 2003.

### **Santa Rosa Mine – Production to December 31, 2002 (9 months)**

Production tonnes (metric)	208,319 M.T.
Average Grade (grams per metric tonne)	2.69 g/t Au
Production costs (U.S. dollars)	\$2,057,776
Recovered ounces (@ 70%)	12,605 ounces
Average cost per recovered ounce	\$163.25/ounce
Average cost per recovered ounce after credits	\$157.24/ounce
Non Cash Costs	\$42.42/ounce

### **Production Commentary**

Mechanical problems and unusual climatic problems hampered production in the quarter ending December 31, 2002. Of particular note was a 11 day power outage at year's end which eliminated all 440 volt power and shutdown all plant operations. This negatively affected production tonnage and gold recovery. Start up in January 2003 resulted in a further set back when on January 3, 2003, a shaft broke in the primary crusher. A serious problem which was not rectified until February 6th. As a consequence, budgets were not achieved in the last quarter, or the last month. By comparison, the quarterly budgets were 50% underachieved and yet a profit was still achieved.

The positive news is the new crusher is now on site and being installed with startup expected this quarter. The capacity of the new crusher is such that weather delays should be able to be worked

around. The mechanical condition of the crushing plant is new and should provide a much higher degree of reliability. Recoveries continue to be the number one priority. The new drip feed method has shown encouraging results. The luffing stacker has also contributed but without fresh mine feed to blend with the recycled, we have been unable to produce representative tonnages to be able to determine the overall benefits. Full testing will resume in February Cement usage has been the subject of technical studies over the past 60 days and indicates recoveries can be maintained or improved with less than 2 kgs per tonne.

Additionally, permeability testing has indicated greater recoveries are inversely proportionate to cement usage. Testing will be redone to confirm these surprising results. This could lead to approximately \$1 per tonne cost savings. Bottle roll testing has confirmed solubility at greater than 90% on average, up from previous testings in the 85 – 87% range.

**Deferred Mineral Properties, Exploration, and Plant and Equipment Expenditures –**

As at December 31, 2002, the Company incurred exploration costs on mineral properties of \$ 1,461,496 as follows:

	SANTA ROSA	SINCHAO	DECEMBER 31, 2002 TOTAL
	\$	\$	\$
Administration	125,933		125,933
Leaching Plant & equipment	872,004		872,004
Operating Supplies	36,556		36,556
Property Payment	-		
Salaries & Wages	153,872		153,872
Technical & professional services	173,214		173,214
Transportation & Vehicle	54,728		54,728
Travel & Accommodation	45,189		45,189
Current Expenditures	1,461,496		1,461,496
Less : Depreciation on Fixed Assets	(332,008)		(332,008)
Addition to Resources Properties	1,129,488		1,129,488
Balance—Beginning of Period	9,662,108	21,940,812	31,602,920
	10,791,596	21,940,812	32,732,408

**Administrative Expenditures**

The company reported a net income of \$ 118,523 for the three-month period ended December 31, 2002 compared to a net loss of \$ 220,260 for the same period in the prior year. General administration expenses for the period ended December 31, 2002 were \$ 621,957 compared to \$ 384,233 during the prior year, an increase of \$ 237,724. The increase is primarily due to an increase of \$ 126,854 in salaries and sundry.

### **Interest and Financing Charges**

During the nine months ended December 31, 2002 the Company incurred interest expenses of \$ 423,221 compared to \$ 347,215 for the quarter ended December 31, 2001. The interest was calculated for the outstanding Production Debentures (12%).

### **Financial Condition and Liquidity:**

As at December 31, 2002, the Company has an accumulated deficit of \$15,927,559 and a working capital deficiency of \$1,876,410. As of April 24, 2002, 25% of the proceeds of all gold and silver precipitate sold from the Santa Rosa Mine is being paid to the Production Debenture holders to pay down the principal and accrued interest. Consequently as at December 31, 2002 the Company paid \$669,713 to the debenture holders. During the quarter ended December 31, 2002, the Company received \$ 424,500 pursuant to the exercise of stock options and \$ 105,160 on exercise of share purchase warrants. In addition Production Debenture warrants were exercised for proceeds in the quarter of \$ 849,471.

The Company's cash position at December 31, 2002 was \$ 198,799.

### **Lawsuit – resolved in Company's favour**

The Irco claims against the Company have been dropped. The lawsuit has been formally withdrawn. The claim for \$360,000 principal plus costs and interest has been withdrawn.

### **Investor Relations**

Windward Communications provides investor relations activities for the Company, developing a strong base of interest and a broader following for the Company. John Devlin fields all shareholders' requests for information. Gold Träff has been retained to introduce Andean to interested parties. Gold Träff is a meeting place to discuss gold mining and exploration techniques. The Company spent \$ 29,071 on investor relations activities during the quarter ended December 31, 2002 compared to \$ 11,095 for the quarter ended December 31, 2001.

To find out more about Andean American Mining Corp. (TSX-V: AAG), visit our new website at [ww.andeanamerican.com](http://ww.andeanamerican.com) For further information, please contact: John Devlin at 1-866-885-0484 and [jdevlin@andeanamerican.com](mailto:jdevlin@andeanamerican.com) or Windward Communications at 1-866-583-6300 or the Company at: (604) 681-6186 or toll free: 1-888-356-4784 and email: [info@andeanamerican.com](mailto:info@andeanamerican.com)

On behalf of Andean American Mining Corp.,

John Huguet, President & CEO

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