

Andean American Provides Insights into Its Gold/Silver Inventory

Understanding Gold & Silver Inventories – Interesting Theories

Vancouver, B.C., April 28, 2005. Andean American Mining Corp. is pleased to provide insights into a very material asset, its gold/silver inventory on pads.

Inventory tends to be viewed as a necessary evil, a financial drain or as a buffer between logistical supply lines and production demands.

In the case of a heap leach gold mine, there are several other factors to consider when attempting to evaluate the significance of investment in inventory.

At March 31, 2005 (fiscal year end), Andean's inventory value stands at CDN \$4,788,000. Of this amount, \$205,000 is chemicals. The remaining value of \$4,583,000 is attributed to gold values. The accounting needs explanation. First, inventory is accounted for (valued) at the lower of cost or market. Second, silver values are not recorded in any way (gold carries all the costs, therefore on the lower of cost or market rules, silver carries a zero value). Third, a very conservative estimate of recovery dominates the logic surrounding "inventory" calculations. (At the Santa Rosa mine the calculation affecting gold recovery is based on 85% solubility and 82% recovery netting 69.7% overall recoverability). Fourth, production of ounces of gold are reduced to the theoretical 69.7% and then current sales deducted to create a net inventory accounting entry. Finally, the difference between actual sales and theoretical recoverability is then entered into inventory (positive values increase, negative values decrease).

Complicated to say the least, but conforms to generally accepted accounting principles.

Here is the interesting theory, lower of cost or market. As a reality check, what is market? Market is the market price times the delivered (sold) ounces of gold or silver, at the time of recovery.

At the Santa Rosa Mine, Andean American has had 2 independent valuations performed on the physical inventories for gold and silver at December 31, 2004 and March 31, 2005. These valuations were to collaborate accounting values and determine the other half of the equation – Market. Applied Mine Metallurgy Technologies (EIRL) was retained for the valuations. This market value check creates the context in which accounting valuations can be assessed.

The Company received full confirmation for volume of the tonnes of minerals, the grade for gold and silver, the density, and the humidity for all minerals placed over the Company's heap leach pads. Additionally the same information was received for all the minerals on the pads from the previous operator, Minera Socahallya. Solubility values were in the 90 – 97 % range as verified by ACME Laboratories, Vancouver. Recoverability ranged between cumulative 80 and 93% depending on leachate type and PPM concentration.

The recoverability of the inventoried minerals was also tested with both the traditional cyanide leachate and the new nacienc chlorurant. Results provided by the verification work support recovered market values at greater than four times actual inventory book values in the traditional

cyanide approach to leaching. With the pilot program for the nascent chlorurant as yet unproven on industrial scale, the test results while showing 6.5 time book values, were still considered by the company as unproven. A strong incentive remains in place to realize on the pilot program.

In summary, a good understanding of inventory is appreciated and represents strong opportunities for the company to realize the benefits of a highly effective recycle program.

Andean American has commissioned AMEC Peru to add the inventory to reserve/resource estimate in conformity with National Instrument 43-101, a rule developed by the Canadian Securities Administrators (CSA) that governs how issuers disclose scientific and technical information about their mineral projects to the public.

Andean American, producing, profitable, expanding and exploring. For further information contact John Huguet, President or Hai Van Le, Director of Corporate Development at: (604) 681-6186 or toll free: 1-888-356-4784 or visit our website at www.andeanamerican.com.

On behalf of Andean American Mining Corp.,

“John Huguet”
John Huguet
President & CEO

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