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**NEWS RELEASE**  
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## **ANDEAN AMERICAN DIRECTORS' REPORT TO SHAREHOLDERS**

Andean American is pleased to provide its Directors' Report to Shareholders

In May 2005, the Board of Directors set two major objectives for Andean American Mining Corp., which set a new course for the Company. The first of these objectives is to increase production to achieve 200,000 ounces of gold and gold equivalents by 2010. The second objective is to determine the potential of the Sinchao property to at least 500 million tonnes. Initially the time frame for this second objective was set to the end of 2006 which the Board has restated to 2007. We are pleased to report that the activities of the Company moved continuously forward at a quickened pace towards those two objectives over the past fifteen months.

### **OBJECTIVE 1: Increase production to 200,000 ounces of gold and gold equivalents by 2010**

In the fall of 2006, the Company received a NI (National Instrument) 43-101 compliant report that outlined measured, indicated and inferred resources for the Invicta project, equalling over 2 million ounces of gold and gold equivalents. Drilling continues at the Invicta site in order to upgrade inferred resource and geological potential estimates. The first objective of the drill program is to convert the 8 million tonnes of inferred resources into measured and indicated resources, thereby expanding the mine life from 7 years to greater than 10 years. Completion of a successful infill drill program of 3,500 metres would alter the target production capacities as follows:

Planned Production:           1,600 tonnes per day - year 1  
                                      2,000 tonnes per day - year 2  
                                      3,000 tonnes per day - year 3 +→ onward

The second objective of the drill program is to convert the geological potential of over 14 million tonnes into drill proven NI 43-101 resources to the extent possible. Most of the 16,900 hectares (41,400 acres) in the Invicta land package is covered with volcanic ash. The 7,200 metres planned drilling activities will focus on the Atenea structure and start on the adjacent Ydalia discovery.

Mine development is well underway and the Company initiated and/or completed the following mine development activities during the year:

- Basic Engineering, including Capital Cost estimates
- GOLTEC Engineers – Completed detailed engineering, Site Infrastructure underway
- Environmental Impact Assessment – underway
- Detailed Engineering – Water and Power to site – underway
- Operating Permits – Contracted To CESEL – underway
- Mine Plan – Contracted To Minconsult – Phase I, Jul 31<sup>st</sup> / Phase II, Dec 31<sup>st</sup>
- Metallurgical Testing - Well advanced – Mine site test determined sea level location
- Debt Financing – To follow when resources, currently at 7 years, are at a 10 year mine life or greater

The Invicta property mine development program is on track for a very productive calendar 2007 and, combined with the continuing infill drill program, indicates that the Company is well on the way to achieving its stated production objective of 200,000 gold and gold equivalent ounces by 2010.

**OBJECTIVE 2: Determine the potential of the Sinchao property to at least 500 million tonnes by 2007**

The good news at Sinchao is that the discovery of significant new zones and targets made geological definition by the end of 2006 sufficiently difficult that we have recalibrated the Board objective, as restated earlier, to at least 500 million tonnes by calendar year end 2007. A very good start has been made with the discovery of the high grade skarn zone. Sixty-four surface samples were collected over 1,500 metres, averaging 14.27% Zinc, 2.4% Lead, 1.4% Copper, 85 g/t Ag and 1.87 g/t Au and the zone remains open at both ends. It is still unknown how many tonnes are contained in this zone but we are currently drilling to start to answer that question. The results from the first drill hole were encouraging, reporting 10.25 metres grading 2.34% Copper.

Sinchao Metals Corp. began trading Dec 21, 2006 on the TSX Venture Exchange symbol SMZ.

In addition to the two principal objectives, we report the following:

**Santa Rosa**

The production at Santa Rosa deteriorated during the fiscal year ended March 31, 2007. The management at Santa Rosa was changed in April and a newly invigorated team has put forward a solid 4 year plan which will see a return to profitability immediately and in a substantial way when the plant modifications are completed by December 2007.

**Community Relations**

Access to prospective land continues as one of your Company's primary development activities. We have community agreements in place for all our projects including the long awaited Rio and Virundo areas at Santa Rosa, the Paran area for Invicta and the Tingo and Chugur areas for Sinchao.

**Corporate Developments**

The Company continues to actively strengthen its management, directors and advisors. Mr. Alvin Jackson recently joined our Board of Directors. Mr. Jackson is a professional geologist with more than 35 years of experience in Canada, Norway, New Zealand, Africa, Europe, and China. A co-founder of Nordic Diamonds Ltd., Mr. Jackson acts as Chairman and CEO for that company, as well as Chairman and CEO of Red Dragon Resources Corp. Prior to forming Nordic Diamonds, Mr. Jackson was President, Chief Operating Officer and Director of EuroZinc Mining Corp.

In addition, we have added Juan Zegarra Wuest to our Advisory Board. Mr. Zegarra Wuest has forty years of experience in the mineral processing industry, participating and leading project development from conceptual design up to industrial plants operations, through laboratory and pilot testing, industrial plant design, engineering and management. He has provided assessment to Andean Explorations in ore processing of on-going operations and process development for ores of exploration projects, since May 2006.

Andean Explorations, a wholly owned subsidiary, is headed by Luis Vela and his team of professionals. Mr. Vela has over 16 years of exploration and mining experience in Chile, Mexico, Bolivia and Peru that includes polymetallic, copper and gold properties. In 1996, Mr. Vela obtained a Masters in Economic Geology at the University of Chile. He was formerly the Principal Geologist in the Department of Investment and Projects of the Trafigura Mining Group worldwide offices.

In addition, the Company initiated or concluded the following activities:

- Completed solid analyst's review in Peru in April, 2007
- Completed 7.3 million equity issue May 30, 2007
- Initiated debt discussion for Invicta project
- Completion of applications to trade on the Bolsa de Valores de Lima, BVL and the Toronto Stock Exchange, TSE
- Receipt of final titles to the Valle de Sinchao
- Established new operating structure in Peru

### **Environment**

Andean American is dedicated to meeting or exceeding all Peruvian and Industry best practises and environmental standards. At the Invicta and Santa Rosa properties we have operations plans that maintain Zero liquid effluent (ZLE) which exceeds industry and Peru standards. There are no current planned operations at Sinchao but the exploration plan is being carried out to Industry best practises.

Additionally, we have been remediating the ground waters in the Tingo and Chugur communities. When initiated, ground waters and local streams ran a PH of 2. They are now running 6.5 – 7.0 PH. We anticipate putting a small (less than 6.0 liters per second) treatment plant into Tingo to deal with acid rock drainage.

### **Areas for Improvement**

- Recognition by the market of our excellent properties and strong fundamentals
- Organizational strength
- Metallurgical excellence
- Expanded community understanding

The Board continues to take actions to add value to the Andean's share: based on a widely held belief that Andean's shares are seriously undervalued. This belief is supported by the enterprise values placed on Andean American by Research Capital analysts. The Company has recently hired 2 new investor relations firms to help with the recognition of enhanced value in your Company. The recent publication on valuation for our peer group of junior mining firms under coverage from the Royal Bank sets targets for 10 times our current valuation. These are serious issues and need to be acted on in this market that competes for investment dollars.

Additional activities being undertaken to increase audience appreciation of Andean's potential are new listings for public trading of our shares on the Toronto Stock Exchange, the Bolsa de Valores de Lima, BVL Exchange sponsored by Scotia Capital and the actual new listing on the Frankfurt Exchange.

Andean American is focused on growing and maintaining shareholder recognition of all the assets and abilities within the Company. As a low cost, environmentally friendly Peruvian Exploration and Development Company, growth is our primary focus and is achieved through the programs currently in place at Sinchao and Invicta. We continue to work diligently toward the realization of our objective of 200,000 ounces of gold and gold equivalents by the year 2010. Andean American believes in growth through responsible agreements with communities, encouraging people development as well as property development. The company is partnered with all our stakeholders to bring economic prosperity to the communities in which we work and to all our shareholders. We continue to finance growth based on the recognizable strengths of the properties being developed. Our growth is led and achieved by the solid management team in place in Peru.

## **Conclusion**

This was another busy year filled with some major steps forward towards our stated objectives:

- Over 27 million tonnes of drill targets at the Invicta project
- Community agreements for Invicta
- The resource estimate at the Invicta project, Atenea zone
- The discovery at Ydalia, next to Atenea on the Invicta project
- Community agreements for Sinchao
- The high grade Zinc discovery at Sinchao, over 1500 meters
- Initiation of public trading for Sinchao Metals Corp. (TSX.V-SMZ)
- Closing of the equity portion of the debt equity proposal on Invicta project
- Initiation of the drill programs at Sinchao and Invicta

The Company closes our fiscal period and begins another and we are reminded that the reports and financial statements are simply a slice or cross-section of where we are at a given point in time.

Clearly we have made much progress in the past year; even clearer are the tasks that lie ahead:

- Convert Invicta resources into saleable metals by the year 2010
- Discover more minerals and produce more resource estimates at Invicta and Sinchao
- Return to profitability at Santa Rosa
- Achieve recognition for the real values in your Company through enhanced market awareness
- Continue to look for and acquire resource development opportunities.

Your company is stronger today than when the year began. With due credit and thanks to our Peruvian team of geologist, geoscientists, engineers, lawyers, administrators, logistical team, accountants, miners, contractors and workers.

The biggest thanks goes out to our patient shareholders without whom none of the progress could have been achieved. This next fiscal year promises to be a year of growth, development and the realization of some of our potential. Thank you all for your interest and support in the potential of Andean American Mining Corp.

On behalf of Andean American Mining Corp.,

“John Huguet”

John Huguet  
Chairman & CEO

About Andean American:

Andean American Mining Corp. (TSX.V:AAG)(FWB:AQN) is an international mining and exploration company focused on growth both organically and through acquisitions. The Company is actively pursuing new targets of potential early stage gold and silver prospects in Peru and currently has three key assets: the Invicta gold-silver-copper pre-feasibility stage project; 74% of Sinchao Metals Corp., owner of the Sinchao zinc-copper-silver-gold-lead mineralization project; and the 9,000 hectare Santa Rosa property, which is a producing open-pit mine. For further information call (604) 681-6186 or toll free: 1-888-356-4784 or visit our website at [www.andeanamerican.com](http://www.andeanamerican.com).

This release was prepared by management of the Company who takes full responsibility for its contents. The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this news release.