Andean Resources Limited
Second Supplementary Target's Statement

Chairman's Letter

1 May 2006

Dear Andean Shareholder,

OUTSTANDING DRILL RESULTS EXPECTED TO ENHANCE MAIDEN RESOURCE STATEMENT

On 21 April 2006, Kingsgate extended its Offer for your Andean Shares and distributed to you their Third Supplementary Bidder's Statement. Your independent Directors reiterate that since the Kingsgate Offer was announced, nothing has changed, except the fact that the Kingsgate dividend, which was worth only $0.003 per Andean Share, is now no longer available. The net result is that the Kingsgate Offer should now be even less attractive to you than it was previously.

Your independent Directors remain convinced that you should **REJECT** the Kingsgate Offer and continue to ignore all correspondence from Kingsgate.

Update on latest drilling results from Cerro Negro

I would like to take this opportunity to update you further on the progress Andean is making on its highly prospective Cerro Negro Project. Today Andean reported further outstanding drill results that continue to demonstrate its exciting potential and included:

- **25 metres @ 4.61g/t Au and 8 metres @ 3.04 g/t Au in VDD-628**
- **10 metres @ 3.61g/t Au in VDD-627**
- **23 metres @ 4.43g/t Au in VDD-629**
- **20 metres @ 4.01g/t Au in VDD-630**

You should be aware that three of these four holes are extension holes, supporting the extension of the perimeter around the existing mineralisation at Vein Zone, one of eight prospects at the Cerro Negro Project. Results like these continue to increase the value of both the Cerro Negro Project and Andean and further support Andean's strategy of pursuing the development of a significant gold project in its own right.

Andean Resources Limited
1/1 Nairn Street Fremantle WA. Po Box 1321 Fremantle WA 6959
T: 08 9430 9966 F: 08 9430 9965

Kingsgate's unsolicited Offer was opportunistically timed to convince you to sell your interest in the Cerro Negro Project before its full potential is determined. The Vein Zone remains open along strike and at depth and is only the first of the eight prospects to be tested within Andean's property boundaries. Your independent Directors are not surprised that the results to date have attracted the interest of some of the world's major gold companies. Some of these companies are currently conducting due diligence on Andean and have already visited the Cerro Negro Project, with others still scheduled to visit.

Kingsgate has been criticising Andean and providing opinions as to what it thinks are in your best interests as an Andean Shareholder. This is all an attempt to acquire Andean for less than the independent Director's consider it is worth.

Kingsgate claims that it has superior technical expertise and financial capability and is better placed to add value and accelerate the development of the Cerro Negro Project. Your independent Directors do not believe this is true and draw your attention to the following exciting news.

Despite the unwanted distraction of the Kingsgate Offer, your independent Directors have continued to focus on the exploratory work at the Cerro Negro Project so that its maiden JORC compliant resource statement is now expected to be released in early June 2006, ahead of schedule. Andean also expects to be in a position to release further drill results from 4 more "step out" holes recently completed at Vein Zone.

Kingsgate's statements must be weighed against the fact that Kingsgate is attempting to acquire your Company, and so has a financial interest in talking down its value and the effectiveness of your Company's management. Andean has been continuing with its work program of the Cerro Negro Project and producing outstanding results in a timely fashion.

During the Offer period, Andean Shares have, for the most part, traded at a premium to the implied Kingsgate Offer price. As at the date of this letter, none of Andean's major Shareholders had accepted Kingsgate's Offer.

For all these reasons your independent Directors remain convinced that you should **REJECT** the Kingsgate Offer.

We believe it is unfair to you and significantly undervalues your Company. Your independent Directors do not intend to accept the Offer for any Andean Shares held by them or on their behalf.

We also consider it important that you treat all of Kingsgate's statements, either written or via shareholder calls, with great caution as many are **self-serving and lack credibility**.

For further information on the new drilling results, please refer to the announcement on the ASX website at www.asx.com.au. If you have any questions in relation to the Kingsgate Offer, please call the Andean Shareholder Information Line on (08) 9430 9966 (if in Australia) or +61 8 9430 9966 (if outside Australia) Monday to Friday between 9.00am and 5.00pm WST. Information is also available on our website: www.andean.com.au.

We look forward to your continued support as we grow Andean into a gold producer.

Yours sincerely

Warren Gilmour
Chairman

Other information

1 This document

This document (**Second Supplementary Target's Statement**) is a supplementary target's statement dated 1 May 2006 and issued by Andean Resources Limited (**Andean**) under section 644 of the Corporations Act in relation to the takeover offer by Kingsgate South America Pty Limited, a wholly owned subsidiary of Kingsgate Consolidated Limited (**Kingsgate**) for all of the shares in Andean Resources Limited (**Kingsgate Offer**).

This Second Supplementary Target's Statement supplements, and is to be read together with, the Target's Statement dated 29 March 2006 and the First Supplementary Target's Statement dated 10 April 2006.

Capitalised terms used in this Second Supplementary Target's Statement are defined in section 11 of the Target's Statement. This Second Supplementary Target's Statement will prevail to the extent of any inconsistency with either the First Supplementary Target's Statement or the Target's Statement.

2 ASIC/ASX

A copy of this Second Supplementary Target's Statement has been lodged with ASIC and sent to ASX. Neither ASIC, ASX nor any of their respective Officers take any responsibility for the content of this Second Supplementary Target's Statement.

3 Approval

This Second Supplementary Target's Statement has been approved by a resolution passed by the independent Directors.

Dated 1 May 2006

Signed for and on behalf of Andean Resources Limited.

....
Warren Gilmour
Chairman

Andean Resources Limited
1/1 Nairn Street Fremantle WA. Po Box 1321 Fremantle WA 6959
T: 08 9430 9966 F: 08 9430 9965