



Andean Resources Limited Chairman's Letter

29 May 2006

Dear Andean Shareholder,

You will have recently received Kingsgate's Fifth Supplementary Bidder's Statement further extending its unsolicited Offer for Andean. Your independent Directors have considered the statements in the Fifth Supplementary Bidder's Statement and do not agree with a number of them and believe them to be self-serving. Your independent Directors remind you that, as a hostile suitor for your Company, Kingsgate is acting in its own best interests, not necessarily in your best interests as an Andean Shareholder. For this reason your independent Directors remain convinced that you should **REJECT** the Kingsgate Offer.

Andean continues to deliver outstanding results from its 100% owned Cerro Negro Project in Argentina as shown by the impressive maiden Resource Estimate announced on 15 May 2006. This was a significant milestone for Andean with the announcement of a JORC-compliant Resource Estimate of 840,000 ounces Au (0.5g/t cut-off) based on Vein Zone alone. Your independent Directors believe that this interim Resource Estimate, combined with Andean's continued drilling success, makes the Cerro Negro Project one of the most exciting gold projects controlled by an Australian junior. Particularly as the full extent of Vein Zone is yet to be delineated and is only the first of eight prospects to be drilled by Andean.

More importantly, Kingsgate is yet to provide you with any additional information since the announcement of the Kingsgate Offer on its progress with regards to:

- the BOI sell-down requirement that Kingsgate **divest 51% of its principal asset**, the Chatree gold mine, to Thai nationals by November 2006, a date that is now only 6 months away; and
- the granting of the **nine outstanding mining leases** required for the expansion of Chatree.

Your independent Directors believe it is vital that you are fully informed of Kingsgate's progress with regard to these fundamental issues.

Your independent Directors continue to enhance shareholder value through the ongoing development of the Cerro Negro Project and are encouraged by the interest shown in Cerro Negro during visits to the project by a number of the world's leading gold companies. Your independent Directors remain convinced that the Kingsgate Offer does not provide appropriate value for your Shares, and that this is exacerbated by the uncertainties regarding the future of Kingsgate and its principal asset in Thailand.

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 further support as we continue to examine all avenues to maximise value on your behalf.

Yours sincerely

A handwritten signature in black ink, appearing to be 'W. Gilmour', written in a cursive style.

Warren Gilmour
Chairman