

A.C.N. 064 494 319

Company Announcements Office
Australian Stock Exchange Ltd
20 Bridge Street
Sydney NSW 2000

23 November 2006

Dear Sir/Madam,

Shareholder Update

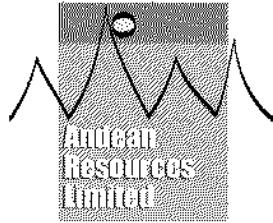
I attach a shareholder update letter that has been forwarded to the Company's shareholders.

Yours faithfully,
Andean Resources Ltd

Ross Arancini
Company Secretary
Tel (08) 93671213

Andean Resources Limited

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21st November 2006

Dear Fellow Andean Resources Shareholder,

Shareholder Update

I am writing on behalf of the Andean board to thank you once again for your ongoing support and to share your Company's vision for the immediate future.

Enhanced Management Expertise

With the unsuccessful Kingsgate takeover bid now behind us, the directors of Andean are now more focused than ever on creating value for all shareholders through the development of the Company's exciting 100% owned Cerro Negro gold project in southern Argentina.

With that in mind, Andean has recently strengthened its leadership team with the appointment of Mr. Wayne Hubert as managing director. Prior to joining Andean, Wayne was Vice President, Corporate Development and Investor Relations with Meridian Gold Inc., a Nevada-based gold mining company with a market capitalisation of approximately US\$3 billion. During his 14 year career with Meridian Gold, Wayne gained considerable experience in the areas of finance, project development and construction, exploration and investor relations. His experience will be invaluable as Andean moves down the project development path.

In August 2006, experienced mining executive Mr. Barry Bolitho also joined the board as a non-executive director bringing with him more than 20 years experience in project feasibility, development and operations.

The composition of the Company's board and management team will continue to evolve to ensure it has the required expertise to bring Cerro Negro into production and deliver shareholder value.

Largest Ever Drill Program at Cerro Negro is Underway

Last week Andean announced the start of a 17,000-metre drill program at Cerro Negro. The program, which is the largest yet undertaken by your Company, is designed to:

- Increase the current 840,000-ounce gold resource at Vein Zone with further exploration along strike, at depth and up-dip of currently-known mineralisation;
- Test for further gold mineralisation to the east of Vein Zone at the Herradura prospect, where drilling late last season intersected ore-grade gold mineralisation which has yet to be followed up; and
- Drill test the exciting Eureka Vein at depth and at the recently discovered higher-grade western portion of the vein where rock chip samples taken by Andean geologists returned values of up to 8 grams per tonne of gold at surface.

The results from this drill program, which has already commenced, will run until June 2007 and will be regularly communicated to shareholders through further updates.

Capital Raising

Andean also recently announced that it had agreed to raise A\$3.56 million through a placement of 13.7 million shares with institutional clients of RBC Capital Markets at \$0.26 a share, which corresponded favourably to the then prevailing market price of A\$ 0.27 per share.

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The purpose of this capital raising is to facilitate the planned 17,000-metre drilling program at Cerro Negro (outlined above), with the objective of expanding the resource base and rapidly moving the project closer to development.

While the capital raising falls within Andean's 15% placement facility under section 7.1 of the ASX listing rules, your board is seeking shareholder approval by way of ratification for the placement so as to not restrict the Company's ability to raise further funds in the future, if required.

Ongoing Relationship with Kingsgate

Kingsgate remains an interested shareholder in Andean with a 22% stake in the Company as a result of acceptances it received to its unsuccessful takeover offer. Kingsgate is a competitor of Andean, and as such, has its own specific agenda in relation to its investment in Andean. Kingsgate is currently pursuing its own, very separate strategy of expansion at the Chatree mine in Thailand, where the political instability in that country continues to present difficult challenges for them.

Many of the issues – including the value of the consideration being offered and the risks attaching to conducting business in Thailand – which your Board felt uncomfortable with at the time of the takeover offer have subsequently proved to be well founded.

You may have recently received communication or have seen press articles from Kingsgate regarding our recent capital raising. Kingsgate's communication is motivated by its own strategic imperative and I urge you not to be distracted by that communication and instead to focus, as your directors are, on future developments at Andean as the Company continues to move from junior explorer to project developer in Argentina.

Annual General Meeting (30 November 2006)

On behalf of the board, I would like to invite all shareholders to attend the AGM on the 30th of November 2006 at the Royal Freshwater Bay Yacht Club, Peppermint Grove, WA, starting at 12 noon.

Approval for the capital raising (outlined above) and a number of other resolutions will be put to shareholders at the AGM. To date, shareholders have shown great loyalty towards Andean. I believe you will see the benefit of this capital raising in the near term and urge you, if you have not already done so, to vote in favour of the resolution at the forthcoming AGM.

Shareholder communication

We recognise the value of keeping in regular touch with our shareholders and this letter is a first step in maintaining open correspondence with you. Look out for our new Shareholder Newsletter in 2007!

Conclusion

Thank you once again for your ongoing support. Your board of directors looks forward to demonstrating further in the coming year the undoubted potential of the Cerro Negro project and the exciting future for Andean.

Yours faithfully,



Warren Gilmour
Chairman

Andean Resources Limited

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