

## Quarterly Report for the Quarter Ended June 30, 2010

Salt Lake City, UT - Andean Resources (**AND:ASX; AND:TSX**) (the “**Company**”) is pleased to report the results for the quarter ended June 30, 2010 (the “**Quarter**”), covering the Company’s activities at its 100% owned Cerro Negro epithermal high-grade gold project in southern Argentina.

### Highlights from releases during the quarter

#### **Mariana Central – continuing to intercept bonanza grades and significant widths, including:**

- MDD-1025: 8.5m of 46.1 g/t Au and 157 g/t Ag from 105.3m
- MDD-1028: 8.65m of 33.3 g/t Au and 460 g/t Ag from 149.5m and 10.1m of 143.0 g/t Au and 1,219 g/t Ag from 188.4m
- MDD-1041: 5.1m of 39.3 g/t Au and 90 g/t Ag from 86.9m
- MDD-1050: 9.0m of 127.1 g/t Au and 272 g/t Ag from 168.0m
- MDD-1051: 7.0m of 52.0 g/t Au and 240 g/t Ag from 119.0m

#### **San Marcos – confirmed mineralization now to 550 meters along strike and extended up to 250 meters down dip, including:**

- SDD-1013: 7.6m of 14.9 g/t Au and 142 g/t Ag from 123.0m and 8.0m of 10.4 g/t Au and 97 g/t Ag from 189.0m
- SDD-1023: 12.9m of 11.2 g/t Au and 110 g/t Ag from 191.6m
- SDD-1025: 15.2m of 19.3 g/t Au and 243 g/t Ag from 325.0m
- SDD-1032: 3.7m of 20.42 g/t Au and 125 g/t Ag from 129.1m

#### **Mariana Norte – continued drilling success, including:**

- MDD-1011: 9.0m of 15.8 g/t Au and 72 g/t Ag from 163.4m
- MDD-1015: 8.4m of 22.7 g/t Au and 57 g/t Ag from 173.6m
- MDD-1018: 13.9m of 16.2 g/t Au and 176 g/t Ag from 76.0m
- MDD-1034: 6.6m of 8.6 g/t Au and 162 g/t Ag from 113.3m

- MDD\_0155: 1.7m of 112.1 g/t Au and 141 g/t Ag from 212.0m

**Completed the positive Feasibility Study at quarter-end, with highlights:**

- Annual production up to a rate of 285,000 oz of gold at an average by-product cash cost of \$60/oz during the first five years of operation
- Significant internal rate of return using \$850/oz gold (“Au”) and \$14/oz silver (“Ag”) on an initial capital investment of \$275 million
- Mine life of at least 10 years
- A sustainable development fund to invest 1% of after-tax profits into the local communities
- Overall metallurgical recoveries have improved to 95% for gold and 86% of silver
- International Cyanide Management Code compliant design
- Significant upside remains

**Further Board and Management team additions, including:**

- Appointment of Mr. Charles Winograd to the Board of Directors
- Appointment of Mr. Eric Edwards, Chief Financial Officer and Mr. Robert Menard, Vice-President of Engineering and Construction

**Cash Balance at the end of the Quarter was AU\$62.5 million**

**To advance the exploration and development of the Cerro Negro project, entered into a bought deal arrangement with underwriters on July 21<sup>st</sup> for Cdn\$234.5 million**

**Built the Eureka West portal and developed 100m of the underground access**

**Continued Exploration Success**

During the first half of 2010, exploration activities at the Cerro Negro property included the completion of the 1:5,000 scale geologic map, the perforation of over 36,900 meters of exploration, development and geotechnical drilling, and the expansion of the San Marcos, Mariana Norte, and Mariana Central veins. In addition, Andean implemented the Century Systems database management software for drillhole logging and QAQC procedures and reinstated on-site sample pulp preparation, which is now operated by Acme Labs of Mendoza, Argentina.

The Mariana Central, Mariana Norte and San Marcos veins are clustered together approximately 5 to 6 kilometers northeast of the Eureka complex and are located adjacent to the planned haulage road midway between the Eureka complex and proposed plant site. All three veins display classic low sulfidation epithermal mineralogy and vein textures. Dark-gray ginguero banding is commonly associated with the high-grade values and is present in the three vein systems. Hydrothermal quartz and quartz-cemented breccias are common within and along the vein boundaries. Precious metal-bearing quartz stockworks are common and are found immediately adjacent to the veins in the andesite host rock.

## **Mariana Central**

The Mariana Central target, located northeast of the Eureka West vein, was identified in late 2009, along with the Mariana Norte and San Marcos veins. During the first half of 2010, Andean completed 1,117 meters of reverse circulation and 8,403.4 meters of diamond drilling, totalling 9,520.4 meters in 43 holes on the Mariana Central target. The exploration program has confirmed the presence of quartz veining for over 770 meters along strike and at least 170 meters down dip. Assay results received during the first half of 2010 reveal important gold and silver grades for at least 600 meters along strike and 100 meters down dip. Most gold and silver grades are similar to those contained in the Eureka vein; however, bonanza grades over significant widths were identified in several drill holes at Mariana Central.

The bulk of the bonanza grades identified to date in the Mariana Central vein lie to the northwest of local section 250SE. This main segment of the vein strikes 305° to the northwest, dips 68°N, has a 5 to 10 meter true width, and is at least 450 meters in length. To the southeast of section 250SE, the dip of the Mariana Central vein flattens to 50°N, the true width narrows to 1 to 3 meters, and the average precious metal values decrease to less than 1.0 g/t Au with local narrow high-grade intercepts. The Mariana Central vein is open up-dip, to depth, and along strike to the northwest. Andean believes that additional veins similar to the Mariana Central vein remain to be discovered at Cerro Negro.

Andean currently has two diamond rigs working in the Mariana Central area and will provide additional updates as the information becomes available.

## **Mariana Norte**

The Mariana Norte mineralization is located along a northwest trending regional structure that can be seen in the Quickbird satellite image for over 3.7 kilometers. The Mariana Norte vein dips 54 to 68°N and has an overall strike of 285° to the northwest. Drilling in the central portion of the known vein reveals a slight bend to the west in the structure that corresponds to a decrease in thickness of the veins for approximately 100 meters along strike. Holes drilled to the west of this narrow zone have cut wide intervals of quartz veining for at least 200 meters along strike. The structure remains open to the west and to depth.

To date, Andean has completed 1,855 meters of RC drilling and 5,208.6 meters of diamond core drilling for a total of 7,085.9 meters in 35 holes at Mariana Norte. This program has identified one to three coalescing quartz veins for over 700 meters along strike and 150 meters down dip. Assay results confirm gold mineralization along 460 meters of the strike length and for 100 meters of the dip extent.

At Mariana Norte, the western-most drill intercept is 600 meters to the east of the projected intersection with the Mariana Central vein trend. The testing of this intersection is a priority target for the second half of 2010.

## **San Marcos**

At San Marcos, Andean has completed 2,511 meters of RC drilling and 7,014.4 meters of diamond core drilling for a total of 9,525.4 meters in 46 holes during 2010. The San Marcos vein system is comprised of two sub-parallel near-vertical quartz veins that strike east-west and which dip 80°N to 80°S. Mineralization plunges 30°E and is best developed in structural dilation zones which remain open at depth. Mineralization occurs over 250 meters vertically and for 550 meters along strike.

True widths average 5 to 6 meters with additional narrow 1 to 2 meter intercepts along the margin of the primary mineralized structure; true widths can exceed 12 meters where both structures merge into one.

Andean will continue to drill test the San Marcos vein in the second half of 2010 and is awaiting metallurgical testwork of vein material submitted to SGS Labs in May, 2010.

### **Feasibility Study**

On July 6<sup>th</sup>, the Company announced the results of the Feasibility Study. The study defined an operation based on sequential mining of the three deposits by underground and open pit mining, along with milling and refining of the ore on site. The mine will initially operate at a production rate of 1,850 tonnes per day, producing an average of 200,000 ounces (“oz”) of gold over a 10 year mine life, at an average cash cost of about \$168/oz (based on silver by-product credits of \$14/oz).

- For the first five years, Cerro Negro would produce up to a rate of 285,000 oz of gold per year at an average cash cost of \$60/oz (inclusive of silver by-product credits), making Cerro Negro one of the lowest-cost undeveloped gold projects in the world
- An initial capital investment of \$275 million to construct a processing facility for 1,850 tpd, an underground mine at Eureka West, and the required infrastructure in this remote location.
- Probable reserves of 2.1 million oz of gold and 20.6 million oz of silver based on mining the indicated resources only at Eureka West, Bajo Negro and Vein Zone
- Inferred resources at Eureka West, Bajo Negro and Vein Zone have been excluded from the FS. In addition, the newly discovered veins at San Marcos, Mariana Norte and Mariana Central have also been excluded. The mineralization excluded from the FS will be included in subsequent plans.
- Mine life of 10 years with direct employment of 533 employees with a plan for responsible sustainable development in the region. A sustainable development fund to invest 1% of after-tax profits into the local communities
- International Cyanide Management Code compliant design
- Significant upside remains:
  - Converting the significant inferred gold resources to indicated status with infill and step-out drilling, thereby allowing these resources to be included in a future mine plan
  - Further defining the size and potential of the latest discoveries at the San Marcos, Mariana Norte and Mariana Central deposits, with the intent to incorporate these into future mine plans
  - The Eureka West deposit remains open to the west and at depth, with exploration to resume once the current underground development is sufficiently advanced
  - The Bajo Negro deposit remains open along strike and at depth, with exploration to recommence later this year
  - Further exploration potential at other Cerro Negro deposits

*For further information on the Feasibility Study results, please see the release dated July 6, 2010, available on the Company's website at: [www.andeangold.com](http://www.andeangold.com)*

## Cerro Negro Timeline

- **Drilling Campaign** – The winter drill program continues at site, with two winterized Major 50 core rigs working on the Mariana Central and San Marcos targets. Once operational conditions improve in September, Andean will add three exploration drill rigs. The Company also has at least 26 geophysical targets to explore on a first pass basis and will continue to develop the growing resource base in the Mariana's and at San Marcos. A total of 43,000 meters of drilling is planned for Cerro Negro during the second half of 2010.
- **Financing** – On July 21<sup>st</sup>, the Company announced the bought deal financing for C\$235M, with the expected closing date on or about August 11, 2010. The proceeds will be used to advance the exploration and development of the Cerro Negro project and for general working capital purposes.
- **Permitting** – Andean submitted the Environmental Impact Assessment (EIA) during the Second Quarter to the provincial authorities in Santa Cruz, Argentina.
- **Underground Decline** – portal construction began in February 2010 and is now advancing as per schedule, with about 100m of decline constructed as of the end of June.

## Corporate

### **Board Changes**

During the Quarter, the Company announced the appointment of Chuck Winograd to the Board of Directors. Mr. Winograd is currently the President of Winograd Capital Inc., an external consulting services and private investments company. Previously, Mr. Winograd was Chief Executive Officer of RBC Capital Markets, a position he held from 2001 to 2008. Mr. Winograd holds a Master of Business Administration degree from the University of Western Ontario and is a Chartered Financial Analyst (CFA). Mr. Winograd is currently a director of RioCan Real Estate Investment Trust, Talisman Energy, RBC Dexia, Tamir Fishman (Israel), Mount Sinai Hospital, Winograd Capital Inc. and James Richardson & Sons, Limited.

### **Management Changes**

Post quarter-end, Andean announced the appointment of Mr. Eric Edwards as its new Chief Financial Officer and Mr. Robert Menard as its Vice President, Engineering and Construction, consistent with the development phase of its 100% owned Cerro Negro gold project in Southern Argentina.

Mr. Edwards, who joins the Andean team as the new Chief Financial Officer, has over 25 years total experience in the gold mining sector holding a number of positions in operations, business development and corporate finance. Mr. Menard, joins the Company as Vice-President, Engineering and Construction, and has been involved in all aspects of mine development and construction during his nearly 40 year career in the mining industry.

### **Finance**

During the quarter the company paid approximately \$13 million in operating activities and approximately \$9 million in investing activities to continue the exploration, complete the Feasibility Study, and advance the Cerro Negro project in Argentina. The cash balance at June 30, 2010 was approximately \$62.5 million. For more information, please refer to the Mining Exploration Entity Quarterly Report (Appendix 5B).

Subsequent to quarter end, on July 21<sup>st</sup>, Andean entered into an agreement with a syndicate of underwriters who agreed to buy on a bought deal basis 70 million common shares at a price of C\$3.35 for gross proceeds of C\$234.5 million. The net proceeds will be used to advance the exploration and development of the Cerro Negro project and for general working capital requirements. The offering is expected to close on or about August 11, 2010.

## **Share Capital**

At Quarter-end the Company's issued securities were as follows:

- 471,299,534 ordinary shares
- 9,817,500 unlisted options (at various strike prices between AU\$0.30 and AU\$1.60)

Wayne Hubert, Andean Resources CEO, summarized the quarter, "I am delighted in our progress we are making in Argentina and for the support of our stakeholders in Argentina. Significant milestones were achieved this quarter: we completed the feasibility study on Cerro Negro, we completed appointments to the Andean Board with the addition of Chuck Winograd, we rounded out the management team with the addition of Eric Edwards and Robert Menard, and our exploration program has significantly enhanced Cerro Negro's future. I want to congratulate all of Andean's employees who have made significant sacrifices to deliver these important results."

## **Quality Control and Assurance**

The analytical results quoted in this release are derived from half drill core in the case of diamond drill holes, or from cuttings in the case of reverse circulation holes. Samples are prepared by ACME Analytical Laboratories SA (Mendoza) in Mendoza, Argentina, and assayed by the same laboratory in Santiago, Chile. Gold is determined initially by fire assay with AA finish. Samples assaying more than 10 ppm gold are re-assayed using a gravimetric finish. Silver is determined initially by AAS, and samples assaying more than 100 ppm silver are re-assayed by fire assay with gravimetric finish. Quality control of the analytical results is maintained by inserting standards, blanks, and duplicates into the sample run, approximately every twenty samples. Additional quality control is maintained by sending assay sample splits to a second laboratory from time to time. These checks are evaluated statistically at regular intervals. All analytical data are entered into a Microsoft Access database, with limited access and numerous checks to ensure integrity of the data.

## **Qualified Persons Statement**

The information in this quarterly report that relates to exploration results is based on information provided by William H. Wulfange, Vice President of Exploration for Andean Resources, who is a Licensed Professional Geologist (#5219574-2250) by the State of Utah and a member (#4037018) of a Recognised Overseas Professional Organization (ROPO), the Society of Mining, Metallurgy and Exploration America. Mr. Wulfange has extensive experience relevant to the style and type of mineralization and deposits under consideration, and to the activity undertaken, to qualify as a "Qualified Person" as defined in Canadian National Instrument 43-101, as well as a "Competent Person" as defined in the JORC Code. Mr. Wulfange has reviewed and verified that the information presented in this quarterly report conforms to NI 43-101 standards and industry Best Practices and consents to the inclusion in the report of the matters based on his information in the form and the context in which it appears.

***Andean Resources Ltd. is a dual listed company (ASX/TSX:AND), actively and aggressively exploring for gold resources in Argentina. The company is well positioned to become a mid-tier gold producer over the next two years as it commences production from its 100% owned Cerro Negro project. This high-grade, world-class deposit is located in the province of Santa Cruz, in southern Argentina, and contains a growing resource base of over 3.1 million ounces of gold and 25 million ounces of silver. In order to expand its resource base and add to the future production profile, Andean is committed to ongoing exploration and building its resource inventory at the Cerro Negro project and, in the process, generating enhanced returns for its shareholders as a platform for future growth.***

## **Forward Looking Statement**

This quarterly report contains certain “forward-looking statements”. All statements, other than statements of historical fact, that address activities, events or developments that Andean Resources Limited (“Andean” or the “Company”) believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “believe”, “plan”, “estimate”, “expect”, and “intend” and statements that an event or result “may”, “will”, “can”, “should”, “could”, or “might” occur or be achieved and other similar expressions. These forward-looking statements reflect the current internal projections, expectations or beliefs of Andean based on information currently available to Andean. Forward-looking statements are subject to a number of risks and uncertainties, including those detailed from time to time in filings made by Andean with securities regulatory authorities, that may cause the actual results of Andean to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on Andean. Andean expressly disclaims any obligation to update or revise any such forward-looking statements. Not for distribution to United States newswire services and not for dissemination in the United States. The securities discussed herein have not been and will not be registered under the United States Securities Act of 1933 (the “US Securities Act”), as amended, or the securities laws of any state and may not be offered or sold in the United States or to US persons (as defined in Regulation S of the US Securities Act) unless an exemption from registration is available.

### FOR FURTHER INFORMATION CONTACT:

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1.13 Total operating and investing cash flows (brought forward)	(22,242)	(45,604)
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from the issue of shares, options, etc.	107	104,668
1.15 Proceeds from the sale of forfeited shares		
1.16 Proceeds from loans		
1.17 Repayment of loans		
1.18 Dividends paid		
1.19 Other – Capital raising expenses		(4,756)
<b>Net financing cash flows</b>	<b>107</b>	<b>99,912</b>
<b>Net increase (decrease) in cash held</b>		
1.20 Cash at beginning of quarter/year to date	76,662	13,598
1.21 Exchange rate adjustments to item 1.20 (Reflects a non-cash translation loss on cash balances)	7,947	(5,432)
1.22 <b>Cash at end of quarter</b>	<b>62,474</b>	<b>62,474</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

	Current Qtr \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	189
1.24 Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Consultancy (103)
Directors fees (86)

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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**Financing facilities available**

*Add notes as necessary for an understanding of the position*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	15,000
4.2 Development	
<b>Total</b>	<b>15,000</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to related items in the accounts as follows.

	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	57,922	12,622
5.2 Deposits at call	4,552	64,040
5.3 Bank Overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (Item 1.22)</b>	<b>62,474</b>	<b>76,662</b>

**Changes in interests in mining tenements**

	Tenement Reference	Nature of interest (note (2))	Interest at Beginning of Quarter	Interest at End of Quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed		Nil		
6.2 Interests in mining tenements acquired or increased		Nil		

**Issued and quoted securities at end of current quarter**


*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Number Issued	Number quoted	Issue price per security	Amount paid up per security
<b>7.1 Preference securities</b> (description)				
7.2 Issued during Quarter				
<b>7.3 Ordinary securities</b>	471,299,534	471,299,534		
7.4 Issued during Quarter	420,000	420,000		
<b>7.5 Convertible debt securities</b> (description)				
7.6 Issued during quarter				
<b>7.7 Options</b> (description)	6,000,000 25,000 1,042,500 2,000,000 250,000 500,000		Exercise Price \$0.30 \$0.40 \$0.40 \$0.70 \$1.60 \$0.75	Expiry Date 30/09/10 14/03/11 30/06/11 14/07/11 02/06/12 31/07/12
7.8 Issued during Quarter				
7.9 Exercised during Quarter	150,000 50,000 220,000		\$0.40 \$0.40 \$0.40	30/06/11 14/03/11 30/06/11
7.10 Cancelled during Quarter				
<b>7.11 Debentures</b> (totals only)				
<b>7.12 Unsecured notes</b> (totals only)				

**Compliance Statement**

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
2. This statement does give a true and fair view of the matters disclosed.

Sign here:

  
Heber J. Sheffield  
Corporate Officer

Date: 30 July 2010

**Notes**

1. The quarterly report is to provide a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. Any entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The "Nature of Interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
3. **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
4. The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
5. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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