



ASX Announcement

26 October 2005

ANDEAN RESOURCES LIMITED

A.C.N. 064 494 319

1/1 Nairn Street

Fremantle WA 6160

t: 61 8 9430 9966

f: 61 2 9430 9965

Website

www.andean.com.au

For further information on this release and Andean generally please contact:

Warren Gilmour

Director

Tel: 0402 116 261

E-mail warren@andean.com.au

Morrice Cordiner

Director

Tel: 0412 270 761

E-mail morrice@bigpond.net.au

Gavin Thomas

Director

Tel: 0438 583 693

E-mail gavin@thomas.zip.com.au

Andean Resources Limited is listed on the ASX with the symbol "AND"

QUARTERLY REPORT

For the Quarter Ended 30 September 2005

HIGHLIGHTS

EXPLORATION

- Final compilation of all drilling results from the highly successful Phase 1 drill program completed in July 2005 (the results of which were released in the previous quarter).
- Field work since July 2005 has concentrated on compiling all of the previous drilling results into a comprehensive data base in preparation for the forthcoming field season.
- Commencement of the summer field season exploration programs at the Cerro Negro gold project in Southern Argentina. **Drilling of the planned Phase 2, 4000 m Diamond and RC drill programs in and around Vein Zone prospect area is now underway.**
- The Phase 2 drilling campaign will be focused on:-
 - i. Testing for deeper extensions (below 180m) to the existing mineralisation at Vein Zone where drilling earlier this year delineated a zone of wide, high-grade gold ; and
 - ii. Assessing the potential of the nearby Herradura prospect area where RC drilling of selected outcropping quartz veins by previous explorers uncovered a number of interesting (and in some holes, high-grade) gold intercepts (*e.g. 4.52 g/t Au over 18 meters in CNRC 57*).
- The Vein Zone prospect area will be drilled first followed by selected targets at Herradura. **The overall Phase 2 program is anticipated to run until Christmas 2005.**
- Compilation of previous work at the Eureka prospect highlights the area as a major regional target that will be drill tested as part of the current Phase 2 program.

CORPORATE

- Appointment to the Board of a new non-executive Director, Mr Patrick Esnouf, with effect from 1 September 2005.
- The announcement, on 9 September 2005, of a fully underwritten 2 for 13 entitlements issue at 15.5 cents per share to raise \$5.5 million (before issue costs) in new capital for the Company.

Continued...

CERRO NEGRO GOLD PROJECT *(Andean 100%)*

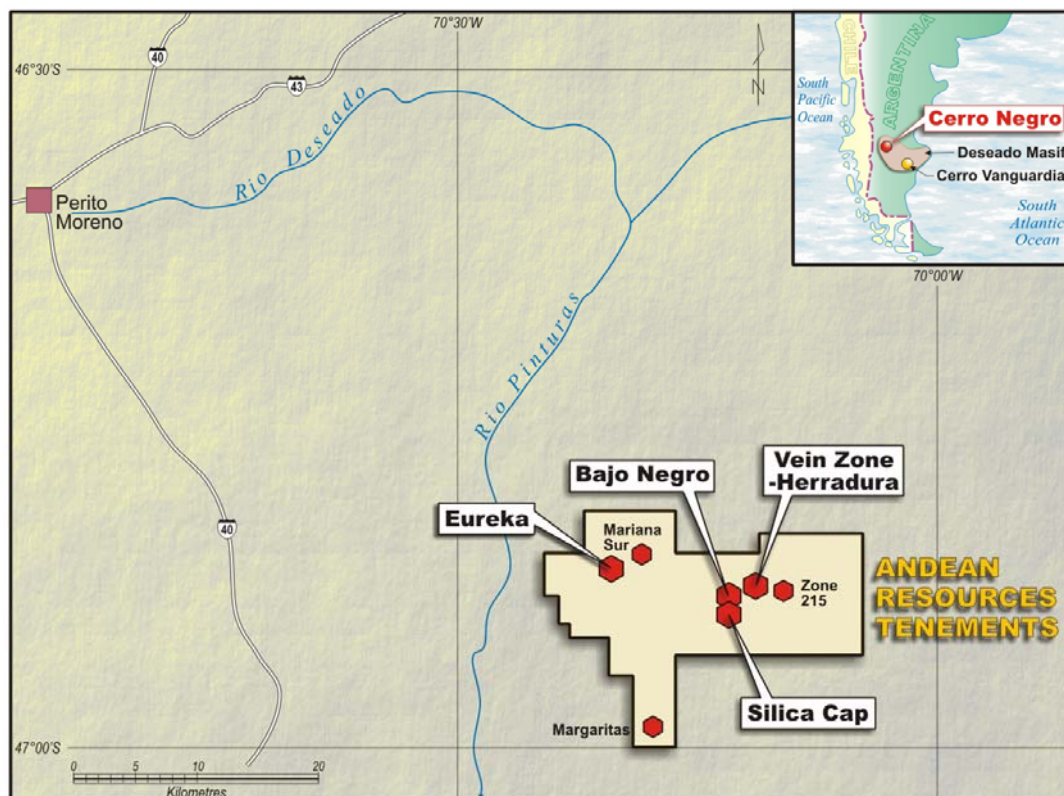
Background

The Company's major project is the 100% owned Cerro Negro epithermal gold deposit which was acquired from MIM/Xstrata in January 2004. The project, which is located in the southern Argentinean province of Santa Cruz at an elevation of approx 800m above sea level (see figure 1 below), contains an inferred resource, estimated by previous explorers, of approx. 620,000 ounces of gold (comprising 6.0 m tonnes at 3.2g/t gold).

The project offers excellent potential for the establishment of a low cost conventional CIP mining operation, based around existing gold resources at the Vein Zone and Herradura prospect areas, together with significant potential exploration up-side at a number of other regional exploration targets (the Eureka and Mariana Sur prospect areas) where work by previous explorers, has highlighted the existence of known areas of epithermal mineralisation.

Within the overall Cerro Negro project, **six zones of epithermal mineralisation** are now recognised (see below):

- **Vein Zone**, which is the main focus of current and past exploration,
- **Herradura** which adjoins Vein Zone to the east and was drilled on a wide spaced basis by MIM,
- **Bajo Negro**, which is to the west of the Vein Zone and recently trenched by Andean Resources;
- **Eureka Zone**, which is located on the western margin of the tenement and has spectacular outcropping quartz veins over some 4 kms;
- **Mariana and Mariana Sur**, which is located near the Eureka area and numerous epithermal vein float has been detected; and
- **Silica Cap**, located on the summit of Cerro negro immediately south of Vein Zone



Cerro Negro Project Location

Figure 1



Vein Zone prospect

Background

The Vein Zone project area is located at a comfortable elevation of 700m near the centre of the Cerro Negro property (which comprises in total approx. 25,000 hectares) and lies adjacent to the Cerro Negro hill. Cerro Negro is capped by vuggy silica outcrops derived from extreme leaching of the host volcanics by a acid-hydrothermal fluid.

The Vein Zone is an epithermal vein deposit with broadly distributed mineralisation associated with out cropping quartz vein zones up to several meters wide. However, the bulk of the mineralisation occurs in non-outcropping zones of quartz veining, breccia and stockwork up to 50m wide which are largely concealed below younger volcanic and alluvial cover. Out cropping veins trend north-west to south-east to north to south, but the concealed zones of stockwork and breccia mineralisation have an overall east-west trend. These quartz veins outcrop over an area of 450m x 150m and are generally steeply dipping to the north/northeast.

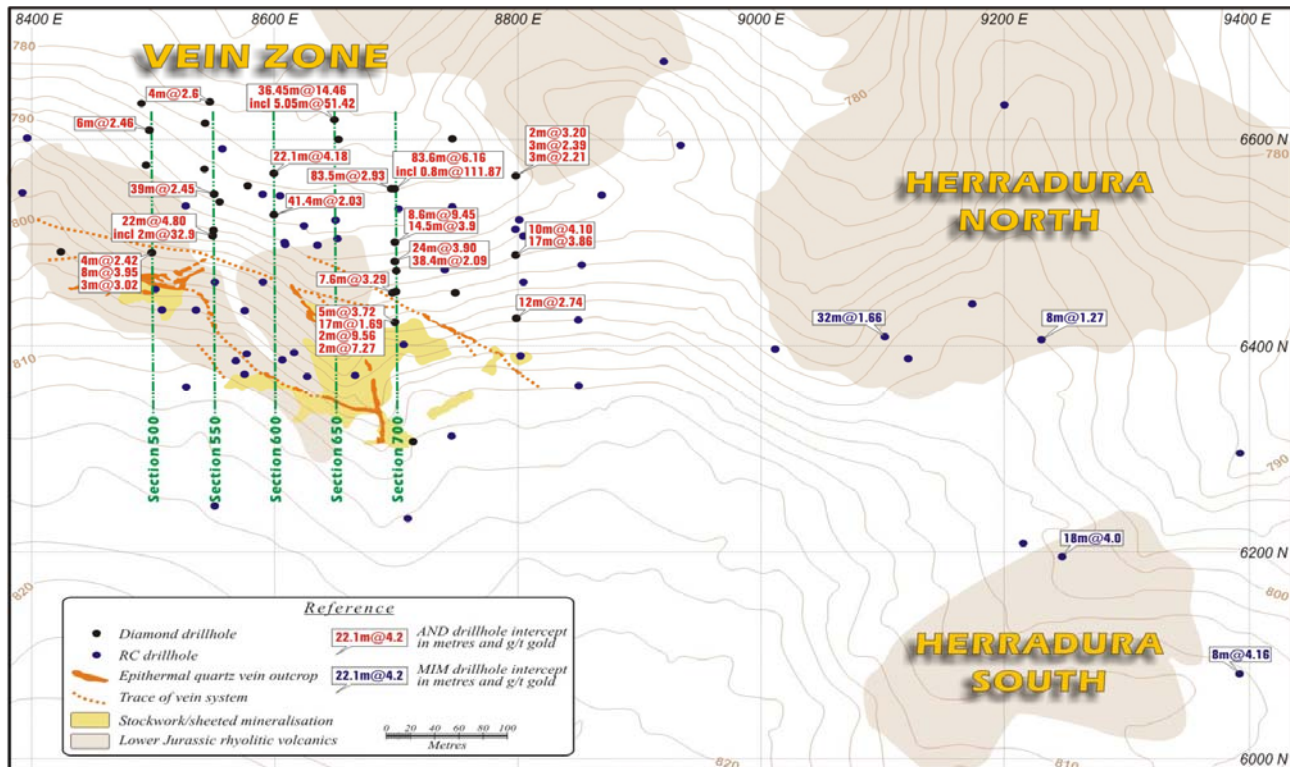
The Heradura prospect, adjoining Vein Zone to the east, has little outcrop but contains extensive epithermal vein quartz float. Road cuts and trenches have exposed zones of quartz stock work development and previous drilling by MIM Limited intercepted zones low grade gold and narrower higher-grade mineralisation the significance of which is currently being evaluated.

A ground geophysical program aimed at delineating additional "covered" veins is planned for the December 2005 quarter.

Commencement of Phase 2 Drill Program

Post the end of the quarter, the Company's exploration crews commenced the Phase 2 2005 drill program which is a follow-up program from the earlier, and highly successful, Phase 1 program completed in July 2005.

Drilling under this new program commenced on 23rd October 2005. The Phase 2 program will comprise a 4000m Diamond and RC drill program in and around Vein Zone prospect area. The main objective of the planned Phase 2 drill program is to further expand the current mineralisation at Vein Zone and to test for possible continuity of mineralisation at the adjoining Herradura prospect area. A map of the Vein Zone and Herradura prospect areas is set out below.



Specifically, the Phase 2 drilling will be directed at:

- **Testing for deeper extensions (below 180m) to the existing mineralisation** at Vein Zone where drilling earlier this year delineated a zone of wide, high-grade gold mineralisation between sections 8550mE and 8700mE . Furthermore, gold grades in this area are increasing with depth, a feature of epithermal gold systems ;
- **Increasing the understanding and confidence in the Vein Zone Prospect** such that a formal resource calculation, compiled to at least an Indicated Status, can be prepared (subject to results) at the conclusion of the drill program; and
- **Assessing the potential of the nearby Herradura prospect** area where RC drilling of selected outcropping quartz veins by previous explorers uncovered a number of interesting (and in some holes, high-grade) gold intercepts (*e.g. 4.52 g/t Au over 18 meters in CNRC 57*) (see above).

The Vein Zone prospect area will be drilled first followed by selected targets at Herradura. The overall Phase 2 program is anticipated to run until Christmas 2005.

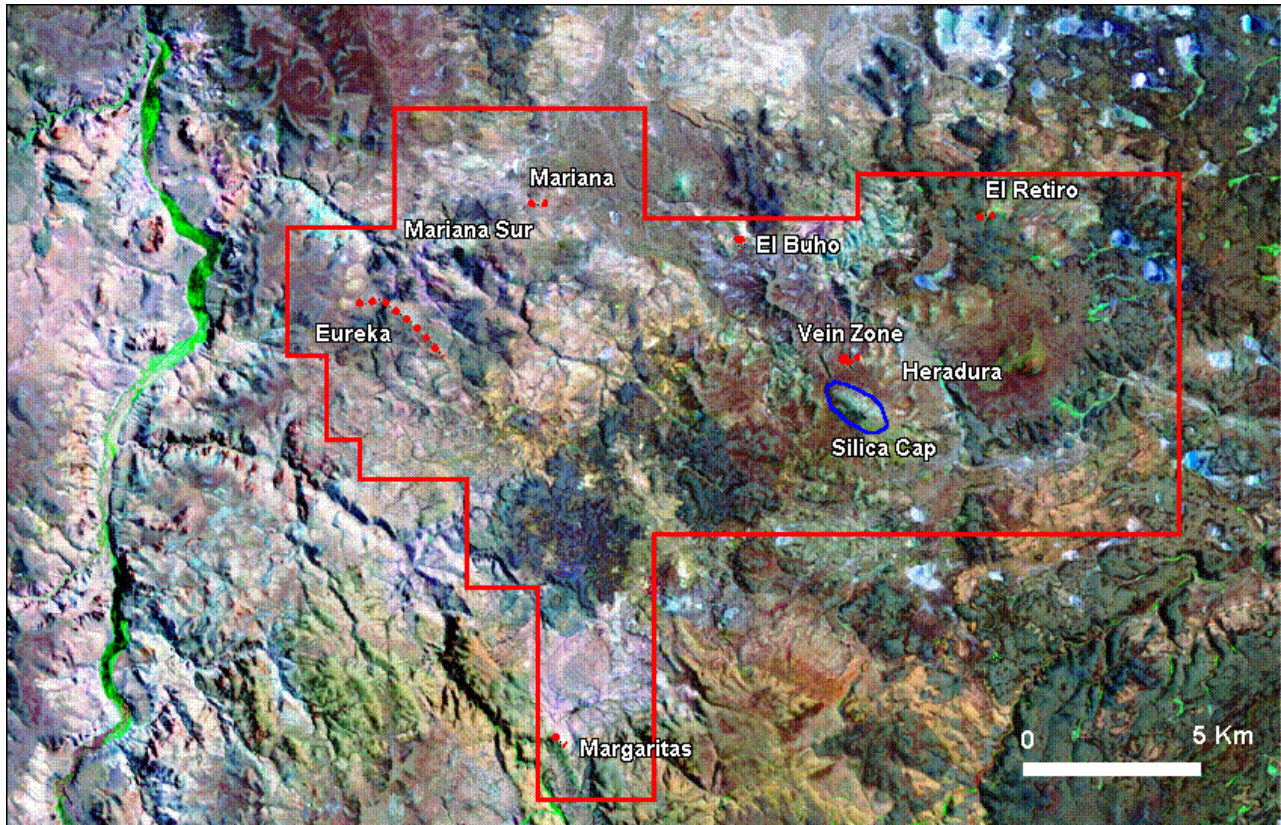
The drill program and associated quality control is under the direction of Company consultants, Mr David Shatwell and Mr Gabriel Irusta.

Sampling and Assaying Procedures

A mobile laboratory has again been established on site at Cerro Negro where all samples are crushed, split and prepared for assaying by experienced professionals from Alex Stewart Argentina SA. Core from the diamond drilling is logged on site, sawn in half prior to sample preparation and despatched for final assaying to the Alex Stewart lab in Mendoza.

Regional Exploration

The regional exploration potential within the Cerro Negro project area is considered highly prospective for additional Vein Zone style, epithermal gold deposits. In all, within the Project boundaries, MIM identified nine areas prospective for epithermal mineralisation. Only the Vein Zone / Heradura prospect areas have been tested to any great extent.



Exploration adjacent to Vein Zone

A number of other distinct areas of epithermal mineralisation are evident on the Cerro Negro property. These include the Herradura area, located some 300m east of Vein Zone and the recently identified Bajo Negro prospect located approx. 1km west of Vein Zone. Andean believes that these areas have excellent potential for the discovery of additional gold mineralisation which will be incremental to the material defined at Vein Zone.

In particular, Herradura and Bajo Negro, because of their proximity to Vein Zone, may ultimately become "satellite" deposits in the event that future exploration success defines sufficient quantities of mineralisation at these locations.

Herradura

The Herradura area lies immediately east of Vein Zone. It has subdued relief and very little outcrop, but extensive areas of quartz float over an area of 600 x 400m, as well as soil geochemical anomalies defined by MIM. Thick gravels obscure a possible eastern continuation to the Herradura zone.

MIM explored the area with soil geochemistry, geophysics, limited trenching, and twelve RC holes totalling 1632m, plus several other holes peripheral to the main prospect. These holes are widely scattered and at various orientations. Intersections include broad zones of low grade mineralization - eg 21m of 1.51 g/t Au (or 58m, 0.97 g/t) in CNRC-15) as well as other higher grade zones such as 18m of 4.52 g/t in CNRC-57.

Structurally, the prospect seems to be a continuation of Vein Zone, however additional drilling is required to determine the significance of previous intersections. **Drilling of specific targets at Herradura will be undertaken during the December '05 quarter, as part of the Phase 2 drilling program.**

Bajo Negro

Bajo Negro is a recently discovered prospect area located ~ 1 km west of Vein Zone which was identified from a re assessment of field work undertaken by previous explorers.

Follow-up of anomalous gold values in MIIM's rock chip database led to the discovery of several small quartz veins outcrops. The outcrops appear to define NW trending veins, and are situated on an NW aeromagnetic anomaly similar to the one which coincides with Vein Zone mineralisation. Preliminary rock chip sampling of vein outcrops returned gold values of 5.57 g/t, 3.32 g/t and 2.07 g/t, as well as other values less than 1 g/t. A single backhoe trench across the zone, sampled at 2m intervals, returned 4m @ 2.43 g/t Au. No drilling or additional exploration of this encouraging new zone has yet been carried out but further work will be included in the forthcoming Phase 2 drilling program.

Eureka

The large Eureka epithermal vein system is located in the western portion of the Cerro Negro property, some 15kms from the Vein Zone. The Eureka vein system outcrops for over four kilometres and is a high level epithermal system that has approximately one kilometre of deeper levels exposed in the north-western portion of the prospect. Anomalous gold values in surface rock chip sampling occur associated with this interpreted deeper part of the system. Previous drilling by MIIM intersected zones of mineralisation on the periphery of this system of 8-20 metres averaging between 1-2 g/t gold.

The area has been remapped and drill sites selected that will form part of the Phase 2 program currently underway. Should the drilling be successful the area has potential to be very prospective.

Mancha Blanca

Due to the continued concentration of work and Company resources at Vein Zone, no additional regional exploration was carried out during the quarter on the Company's 100 % owned Mancha Blanca tenements.

CORPORATE

In addition to its exploration activities, the Company has also completed technical and legal reviews on 3 new and potentially attractive gold exploration opportunities located in the same Santa Cruz province as Cerro Negro. These are the subject of ongoing commercial negotiations and an announcement will be forthcoming in the event that suitable acquisition terms can be agreed.

Additional Board Appointment

During the quarter the Company took steps to strengthen its Board with the appointment of Mr Patrick Esnouf as a new independent non-executive Director.

Mr Esnouf, who resides in Santiago, Chile, has a deep understanding of the Resources Industry across South America and has excellent business and Government relations at all levels of the industry in Latin America.

Mr Esnouf was until recently a senior executive with the Anglo American group of companies and spent the last 17 years in Anglo's South American operations where he played a leading role in the expansion of Anglo's interests in the region, most recently as CEO of Anglo's substantial Chilean operations and thereafter as Chairman of Anglo South America responsible for group strategy, corporate development and managing key industry and political relations in the region on behalf of Anglo.

Entitlements Issue to Shareholders

On 9 September, the Company announced it had secured an underwriting agreement with Southern Cross Equities to facilitate the raising of approx. \$ 5.5 million in new equity capital via a 13 for 2 entitlements issue to all shareholders at a price of 15.5 cents per share.

The relevant dates for the fundraising are as follows:

Lodgement of Prospectus with ASIC: 7 October 2005

Ex-Entitlement Date: 12 October 2005

Record Date: 18 October 2005

Despatch of Prospectus and
Entitlement and Acceptance Forms: 19 October 2005

Closing Date for Acceptances: 3 November 2005

Securities quoted on a deferred
settlement basis: 4 November 2005

Despatch Date for Statements
for Securities: 11 November 2005

Funds from the raising will be applied towards the forthcoming Phase 2 drill program and for general working capital.

Following completion of the issue the Company will have available cash resources of approx. \$ 6.4m.

For further information please contact:

Warren Gilmour
Chairman
Tel: 08 – 9430 9966
Mobile: 0402 116 261

Gavin Thomas
Director
Tel: 0438 583 693

About Andean Resources

Andean Resources is an Australian listed public company (ASX:AND) focused on the exploration and development of gold projects in Patagonia, Southern Argentina. The Company's major project is the 100% owned Cerro Negro epithermal gold deposit which was acquired from MIM/Xstrata in January 2004. The project, which is located in the southern Argentinean province of Santa Cruz at an elevation of approx 800m above sea level, contains a previously reported resource of approx. 620,000 ounces of gold (comprising 6.0 m tonnes at 3.2g/t gold (that has not been audited by the Company to date).

Note:

The information in this Report that relates to Mineral Resources is based on information evaluated by David Shatwell who is a Fellow of the Australasian Institute of Mining & metallurgy, a Member of the Australian Institute of Geoscientists and a Member of the Mineral Industry Consultants Association. Mr Shatwell is a Consultant to the Company.

Mr Shatwell has extensive experience relevant to the style and type of mineralisation and deposits under consideration, and to the activity undertaken, to qualify as a Competent Person as defined in the 1999 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves" (the J.O.R.C. Code). Mr Shatwell consents to the inclusion in this Report on his work in the form and context in which it appears.

MINING EXPLORATION ENTITY QUARTERLY REPORT

ANDEAN RESOURCES LTD

66 064 494 319

30 September 2005

	Current Qtr \$A'000	Year to Date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for: (a) exploration and evaluation	(168)	(168)
(b) development		
(c) production	(408)	(408)
(d) administration		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	18	18
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	2	2
Net Operating Cash Flows	(556)	(556)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects		
(b) equity investments		
(c) other fixed assets		
1.9 Proceeds from sale of: (a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to/from other entities		
1.11 Loans repaid by other entities		
1.0 Other		
Net Investing Cash Flows		
1.13 Total operating and investing cash flows (carried forward)	(556)	(556)

1.13 Total operating and investing cash flows (brought forward)	(556)	(556)
Cash flows related to financing activities		
1.14 Proceeds from the issue of shares, options, etc.	333	333
1.15 Proceeds from the sale of forfeited shares		
1.16 Proceeds from loans		
1.17 Repayment of loans	(523)	(523)
1.18 Dividends paid		
1.19 Other – Capital Raising expenses		
Net financing cash flows	(190)	(190)
Net increase (decrease) in cash held	(746)	(746)
1.20 Cash at beginning of quarter/year to date	2,226	2,226
1.21 Exchange rate adjustments to item 1.20	(16)	(16)
1.22 Cash at end of quarter	1,464	1,464

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	147
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 fees (110)
Directors fees & superannuation (37)

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

--

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

--

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	1,000
4.2 Development	
Total	1,000

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	353	182
5.2 Deposits at call	1,111	2,044
5.3 Bank Overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (Item 1.22)	1,464	2,226

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 (cents)	Amount paid up per security (cents)
7.1 Preference securities (description)				
7.2 Issued during Quarter				
7.3 Ordinary securities	232,517,728	232,517,728		
7.4 Issued during Quarter	4,166,666	4,166,666	8 cents	8 cents
7.5 Convertible debt securities (description)				
7.6 Issued during quarter				
7.7 Options (description)	7,000,000 9,000,000 5,000,000 5,000,000 5,000,000 2,000,000		Exercise Price 8 cents 8 cents 15 cents 20 cents 25 cents 20 cents	Expiry Date 30/06/08 30/04/06 31/10/06 31/10/07 31/10/09 31/12/08
7.8 Issued during Quarter				
7.9 Exercised during Quarter	4,166,666		8 cents	14/11/05
7.10 Expired during Quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (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:

Ross Arancini
Company Secretary

Date: 26 October 2005

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.
