

Allens Arthur Robinson



Date 19 May 2006

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From Richard Kriedemann / Nicholas Fletcher

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Dear Sir or Madam

**Kingsgate Consolidated Limited:**

**Takeover Bid by Kingsgate South America Pty Ltd for  
Andean Resources Limited**

We attach a fifth supplementary bidder's statement pursuant to s643 of the *Corporations Act* 2001 (Cth) (the *Act*), which includes a notice of variation in accordance with s650D of the Act extending the offer period in relation to the takeover bid by Kingsgate for Andean Resources Limited contained in the replacement bidder's statement of Kingsgate dated 9 March 2006.

Yours sincerely

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Our Ref RXKS:205622047

nwfs A0107098271v2 205622047 19.5.2006

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# Kingsgate

Consolidated Limited

ABN 42 000 837 472

19 May 2006

Dear Andean Shareholder,

## Extension of Kingsgate's unconditional Offer for Andean Resources to 2 June 2006

I am pleased to announce that Kingsgate's unconditional Offer has been extended and is now scheduled to close at 7pm, Sydney time, on 2 June 2006.

## *Kingsgate's Offer represents Outstanding Value*

*based on the most recent comparable transaction, IAMGold's bid for Gallery Gold*

### Why accept Kingsgate's Offer:

#### 1. The Resource estimate is disappointing

*The slow progress and disappointing results at Cerro Negro once again confirms Andean's limited capacity to explore and potentially develop the project, relative to the experience and financial resources of Kingsgate.*

- The estimate is over seven months behind schedule<sup>1</sup>
- The estimate is classified in the "Inferred" category, which is the lowest form of resource classification
- Current indications are that only 60% of the estimated resource (~500,000 ounces) is expected to be upgraded to the "Measured & Indicated" categories, and there is no certainty that this upgrade will occur

At its Chatree gold mine, Kingsgate currently has over 2.5 million ounces of "measured and indicated" resources, of which over 1.1 million ounces were added over the 15 months to 30 September 2005. Kingsgate expects this rate of discovery to continue in the near term.

#### 2. Andean has failed to produce an alternative offer for your shares

*Despite the rhetoric from your directors, it has been three months and there are still no alternative offers for your shares.*

<sup>1</sup> Based on Andean's guidance in its 30 June 2005 Quarterly Report, lodged with the ASX on 29 July 2005.

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### 3. The Andean share price is supported by the Kingsgate Offer

*In the 3 months prior to the announcement of Kingsgate's offer, Andean shares traded within a range of \$0.24 to \$0.375 at an average volume weighted average price of \$0.31. Kingsgate believes there is a significant risk that the Andean share price will fall once Kingsgate's offer closes.*

### 4. Kingsgate's Offer price represents outstanding value

*Compared to the most recent successful acquisition of an ASX-listed gold company, Kingsgate's Offer for Andean represents outstanding value for Andean shareholders.*

Case Study:	IAMGold's bid for Gallery Gold
➤	March 2006, Gallery Gold Limited (an ASX-listed gold company), was acquired by IAMGold Corporation (a Canadian company).
➤	At the time of announcement of IAMGold's offer, Gallery was <u>producing</u> in the order of <u>90,000 ounces</u> of gold per annum and had a gold resource of <u>3.7 million ounces</u> . <sup>2</sup>
➤	IAMGold's offer for Gallery valued the company at <u>\$0.46 per Gallery share</u> on announcement which equated to a value paid per resource ounce of gold of <u>US\$56 per ounce</u> . <sup>3</sup>
By comparison:	
➤	Andean has announced a total resource of <u>640,000 ounces</u> of gold. Kingsgate's Offer implies a value of <u>US\$83 per resource ounce of gold</u> <sup>4</sup> – <u>49% higher</u> than the price paid per resource ounce by IAMGold in its bid for Gallery Gold.

- Andean has not provided you with its view on what Andean shares are worth. Kingsgate believes this is because it has no basis on which to justify a value above the Kingsgate's offer.

### 5. Shareholder returns

*Andean shareholders are unlikely to see any returns from their investment in Cerro Negro for a considerable period of time. By comparison, Kingsgate has paid consistent dividends and provided an annualised total return to its shareholders of over 42% per year.<sup>5</sup>*

*In addition, the funding required to continue to develop the project is likely to significantly dilute the interests of current Andean shareholders.*

*The Kingsgate Offer represents an excellent opportunity for Andean shareholders to become a shareholder in a larger, well financed company capable of fast-tracking the potential development of the Cerro Negro project and maximising shareholder value in the shortest period of time.*

If you have any questions about the Kingsgate Offer, please do not hesitate to call the Kingsgate Offer Information Line on 1300 760 949 (toll free within Australia) or +613 9415 4247 (from outside Australia).

I look forward to welcoming you as a Kingsgate shareholder and sharing with you the benefits that will emerge as Kingsgate continues to develop into one of Australia's preferred gold producers.

Yours sincerely,



**Ross Smyth-Kirk**  
Chairman

\* This letter forms part of the supplementary bidder's statement of Kingsgate South America Pty Ltd dated 19 May 2006.

<sup>2</sup> Refer Gallery Scheme Booklet dated 25 January 2006.

<sup>3</sup> Refer Gallery announcement on 6 December 2005. Based on US\$/A\$ exchange rate of \$0.75 and net debt for Gallery as at 31 October 2005.

<sup>4</sup> Based on the implied value of Kingsgate's offer on 17 May 2006, 281 million Andean shares on issue, net debt of Andean as at 31 March 2006 and US\$/A\$ exchange rate of \$0.75.

<sup>5</sup> Based on share price appreciation and reinvestment of dividends on the day they are paid from 1 January 2000 to 17 May 2006.

# Kingsgate South America Pty Ltd

## Supplementary Bidder's Statement

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### 1. Introduction

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This document is a supplementary bidder's statement dated 19 May 2006 under s643 of the *Corporations Act 2001* (Cth) (the **Corporations Act**), and a notice under s650D of the Corporations Act. It is issued by Kingsgate South America Pty Ltd (ACN 118 498 561) (**Kingsgate**) in relation to Kingsgate's takeover offer for Andean Resources Limited (ACN 064 494 319) (**Andean**) dated 14 March 2006.

This Fifth Supplementary Bidder's Statement (**Supplementary Statement**) supplements and is to be read together with the replacement Bidder's Statement dated 9 March 2006, a Supplementary Bidder's Statement dated 9 March 2006, a Second Supplementary Bidder's Statement dated 4 April 2006, a Third Supplementary Bidder's Statement dated 21 April 2006 and a Fourth Supplementary Bidder's Statement dated 5 May 2006 given by Kingsgate to Andean (**Bidder's Statement**).

### 2. Extension of Offer Period

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Kingsgate gives notice that it varies each Offer for all of the ordinary shares in Andean contained in the Bidder's Statement by extending the Offer Period for a period of 14 days, extending the closing date for the Offer to **7.00pm, Sydney time, on 2 June 2006**.

Accordingly, the Bidder's Statement is amended as follows:

(a) Replacing of '19 May 2006' with '2 June 2006' at:

- (i) page 3 under "Important Dates;"
- (ii) page 6, third last paragraph of the Chairman's letter;
- (iii) page 32, under "When does the offer close?"
- (iv) page 91, section 9.4 under "Offer Period."

(b) replacing '19 May 2006' with '2 June 2006' in the Acceptance Form.

### 3. Other

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#### 3.1 Lodgment with ASIC

A copy of this Supplementary Statement was lodged with ASIC on 19 May 2006. This Supplementary Statement will prevail to the extent of any inconsistency with the Bidder's Statement. Neither ASIC nor any of its officers takes any responsibility for the contents of this Supplementary Statement.

#### 3.2 Consents

Kingsgate has relied on the modification to s636(3) of the Corporations Act set out in paragraph 11 of ASIC Class Order 01/1543 'Takeover Bids' to include references to statements which are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the ASX Listing Rules) in this Supplementary Statement without obtaining the consent of persons to whom such statements are attributed to.

## Kingsgate South America Pty Ltd

### Supplementary Bidder's Statement

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As required by Class Order 01/1543, Kingsgate will make available a copy of the relevant documents (or relevant extracts of the relevant documents), free of charge, to Andean Shareholders who request them during the Bid Period. To obtain a copy of these documents (or the relevant extracts), Andean Shareholders may telephone the Offer Information Line on 1300 760 949 (toll-free within Australia) or +61 3 9415 4247 (from outside Australia).

#### 3.3 Defined Terms

Words defined in the Bidder's Statement have the same meaning in this Supplementary Statement, unless the contrary intention appears.

#### 3.4 Authorisation

This Supplementary Statement has been approved by a resolution passed by the directors of Kingsgate.

Dated: 19 May 2006

**SIGNED** for and on behalf of Kingsgate South America Pty Ltd  
following a resolution of the directors of Kingsgate South America Pty Ltd.



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Director