



Kingsgate

Consolidated Limited

ABN 42 000 837 472

18 April 2006

**Via ASX Online
(4 pages including cover letter)**

Manager, Company Announcements
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

Letter to Andean shareholders

We enclose a self explanatory letter dated 12 April 2006 which will be sent to shareholders of Andean Resources Limited.

Yours faithfully,
KINGSGATE CONSOLIDATED LIMITED

JOHN FALCONER
Company Secretary



Kingsgate
Consolidated Limited

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12 April 2006

Dear Andean Shareholder,

Don't Miss Out on the Kingsgate Dividend – Accept by 21 April 2006

By now you will have received several documents from both Kingsgate Consolidated and Andean Resources regarding Kingsgate's takeover offer for your Andean shares.

Kingsgate's unconditional offer is for 1 Kingsgate share for every 15 Andean shares you hold. This currently values your Andean shares at 41 cents.¹

Importantly, if you wish to receive the Kingsgate interim cash dividend of 5 cents per Kingsgate share you must accept the Kingsgate offer by 21 April 2006.

During my 11 years as a Director of Kingsgate, I have seen Kingsgate's share price grow from 12 cents to \$6.15, increasing its market capitalisation to approximately \$520 million. Over this time Kingsgate has grown to become one of Australia's largest and most successful gold mining companies and has been a star performer of the ASX200 in the last year. Kingsgate has declared eight consecutive dividends to its shareholders totalling more than \$58 million over the last three and a half years.

However, the Kingsgate Board and I firmly believe that the best years of Kingsgate are still ahead of us. We expect that gold production from our Chatree mine in Thailand will more than double to approximately 300,000 ounces per annum by 2008. Beyond that, we believe we are well placed to build on our operations and continue to deliver superior value to our shareholders. Our offer provides you with the opportunity to share in the upside and growth of an enlarged Kingsgate.

There have been a number of claims made by the Andean Directors which Kingsgate believes are potentially misleading. In order to set the record straight, we have outlined on the following pages our response to some of these claims which you should read and understand.

Once again, to receive the Kingsgate interim dividend **you must accept the Kingsgate offer for your Andean shares by 21 April 2006** which is also the date on which Kingsgate's offer is scheduled to close.

Should you have any questions, please contact the Kingsgate Offer Information Line on 1300 760 949 (toll free within Australia) or +613 9415 4247 (from outside Australia).

I very much look forward to receiving your acceptance and to welcoming you as a shareholder of Kingsgate.

Yours sincerely,

Ross Smyth-Kirk
Chairman

¹As at 11 April 2006.

SETTING THE RECORD STRAIGHT

Kingsgate believes there are a number of **imprecise claims made by Andean** which you should be aware of as they **encourage you to act against your best interests**.

FACT

1. KINGSGATE PAYS DIVIDENDS – ANDEAN DOES NOT

Andean has attempted to downplay the significance of Kingsgate's interim dividend which you have the opportunity to receive if you accept the offer by 21 April. However:

- **Andean has never paid a dividend;** and
- It is **unlikely Andean will be able to pay a dividend in the near future** given the current status of the Cerro Negro Project.

On the other hand:

- **Kingsgate has declared eight consecutive dividends to shareholders totalling over \$58 million** in the past three and a half years from its profitable Chatree gold mine, which is a low cost operation producing gold in a period of historically high gold prices

FACT

2. KINGSGATE'S OFFER IS THE ONLY OFFER ON THE TABLE

Andean claims that there is "significant interest" being shown by "a number of the world's major gold companies" which may result in an alternative offer. However, you should note:

- It has now been **seven weeks** since the announcement of Kingsgate's offer and it is still the only offer on the table
- **There is no guarantee of an alternative offer for your Andean shares**
- **Do not risk waiting for an alternative offer which may never come**, particularly given the significant risk that the Andean share price will fall from its current level once Kingsgate's offer closes

FACT

3. THERE IS A SIGNIFICANT RISK OF ANDEAN'S SHARE PRICE FALLING

Andean states that its share price is trading at a premium to the implied value of Kingsgate's offer. However:

- Kingsgate believes **Andean's current share price is significantly inflated due to the presence of Kingsgate's offer**
- There is a significant risk that the Andean share price will fall from its current level once Kingsgate's offer closes, which is scheduled for 21 April
- **You risk a fall in the price of your Andean shares** if you remain a shareholder in Andean following the closing of Kingsgate's offer

FACT

4. ANDEAN HAS MISREPRESENTED ITS DISCUSSIONS WITH KINGSGATE

Andean has claimed in the media that Kingsgate did not provide Andean with an opportunity to discuss Kingsgate's offer.²

This statement is untrue:

- Kingsgate commenced discussions with Andean prior to the announcement of the offer with a view to agreeing a transaction on a friendly basis
- While these discussions were occurring, a trading halt was requested by both companies
- Once it became clear to Kingsgate that **Andean was not prepared to entertain Kingsgate's friendly proposal**, Kingsgate felt it was appropriate to put the offer directly to you as an Andean shareholder

²Refer Miningnews.net article on 4 April 2006 "Kingsgate dismisses counter offer speculation" where Andean's Chairman, Warren Gilmour, is quoted as stating: 'Had they sat down with us to start with, some of these things could have been discussed and it could have been on a friendlier basis than it is now, which really is a hostile situation.'

SETTING THE RECORD STRAIGHT

FACT

5. ANDEAN HAS NOT DELIVERED ON A RESOURCE STATEMENT

Andean has acknowledged it is yet to deliver a JORC³ compliant resource statement for the Cerro Negro Project. However, Andean states Kingsgate took 5 years until 1996 before a resource was disclosed at Kingsgate's Chatree mine.

Andean has not given you all the facts:

- Kingsgate became the manager and majority owner of the Chatree project in May 1996
- **Kingsgate produced a JORC compliant resource in 1997 of 525,000 ounces of gold – within approximately 18 months of becoming manager of the project. Since that time Kingsgate has increased this resource by over 5 times as a result of Kingsgate's on-going focus on exploration**

On the other hand:

- Andean has not been able to produce a JORC compliant resource statement after controlling Cerro Negro Project for over 2 years (since January 2004) even with the benefit of prior drilling from previous owners
- Andean has also failed to deliver on its promises – it originally stated it would publish a resource statement in the September quarter of last year

This information is important to you and the value of your shares. Andean is now over 6 months late on its promise to publish a JORC compliant resource statement.

FACT

6. KINGSGATE IS BETTER PLACED TO DEVELOP THE CERRO NEGRO PROJECT

Andean claims it is "well placed to develop the Cerro Negro Project". However:

- **Andean has limited access to human and technical resources which are critical to the future exploration progress at Cerro Negro**
- in addition, in order to continue to explore the Cerro Negro Project, it is almost certain that Andean will need to issue additional shares in the future. **This may significantly dilute your interest in the company**

Kingsgate believes it is significantly better placed to develop Cerro Negro given its access to financial and technical resources:

- **Kingsgate has an outstanding track record** which includes the development of Chatree, where Kingsgate brought a prospective gold deposit into production **on time and under budget**
- Kingsgate is confident of being able to achieve a similar result at Cerro Negro

FACT

7. YOU MAY QUALIFY FOR CAPITAL GAINS TAX ROLL-OVER RELIEF

Andean claims that if you accept Kingsgate's offer you will be exposed to a potential capital gains tax liability. However:

- **Andean has been silent on the fact that any future dealing in your Andean shares may expose you to a capital gains tax liability in any event**
- **If Kingsgate acquires 80% or more of Andean then you may qualify for capital gains tax rollover relief** and this means you would not be liable for capital gains tax on the disposal of your Andean shares to Kingsgate

You should refer to section 6.2 of Kingsgate's Bidder's Statement for further information on capital gains tax rollover relief

TO ACCEPT THE KINGSGATE OFFER

complete the enclosed Acceptance Form in accordance with the instructions on it and return it in the enclosed envelope or to an address on the Acceptance Form by the **scheduled closing date of 21 April 2006**.

For full details on how to accept the offer, see section 9.6 of the Bidder's Statement

³ JORC³ means Joint Ore Reserves Committee. For a mineral resource to be officially recognised by the Australian minerals industry, it is a requirement for ASX-listed companies to prepare a mineral resource statement in accordance with the JORC Code, which is a set of standard guidelines incorporated in the ASX Listing Rules.