
Table of Contents

Summary of the Offer	18
1. Profile of Kingsgate and Bidder	24
1.1 Overview of Kingsgate	24
1.2 Chatree Gold Mine – Overview and Operations	26
1.3 Chatree Gold Mine – Potential Development and Exploration	36
1.4 Other Exploration Activities	38
1.5 Royal Thai Board of Investment (<i>BOI</i>)	39
1.6 <i>BOI</i> Sell Down Requirement	39
1.7 Directors and management	40
1.8 Summary Financial Information	41
1.9 Hedging	45
1.10 Dividend Policy	46
1.11 Information about Kingsgate securities	46
1.12 Revolving Credit Facility	51
1.13 Additional information regarding Kingsgate	51
1.14 Overview of Bidder	51
2. Profile of Andean	52
2.1 Disclaimer	52
2.2 Overview of Andean	52
2.3 Publicly available information	52
2.4 Andean securities on issue	52
2.5 Offer extends to new Andean Shares	53
2.6 Interests in Andean securities	53
3. Intentions of Kingsgate and Bidder	54
3.1 Introduction	54
3.2 Intentions upon acquisition of 90% or more of Andean Shares	54
3.3 Intentions upon acquisition of less than 90% of the Andean Shares	56
3.4 Other intentions	57
3.5 Governance issues	57
4. Consideration	59
5. Profile of Merged Group	60
5.1 Rationale for the Offer	60
5.2 Forecast Information on Kingsgate	60
5.3 Effect of acquisition on Kingsgate	63
5.4 Profile of the Merged Group	64
5.5 Impact on the financial position of Kingsgate	65
5.6 Post-Completion Kingsgate Group Pro-forma	65
6. Australian Tax Considerations	71
6.1 Introduction	71
6.2 Taxation consequences of accepting the Offer	71
6.3 Stamp duty and GST	74
6.4 Taxation consequences of owning Kingsgate Shares	74

7.	Investment Risks	75
7.1	Introduction	75
7.2	Risks related to Offer	75
7.3	Risks related to mining industry generally	76
7.4	Specific risks affecting the Merged Group	79
8.	Other Material Information	82
8.1	No collateral benefits	82
8.2	No escalation agreements	82
8.3	Bidder and Kingsgate Directors' interests in Andean securities	82
8.4	Fees and benefits payable to Kingsgate Directors and advisers	82
8.5	Date for determining holders of securities	83
8.6	Andean Options	83
8.7	Broker commission	84
8.8	Regulatory matters and application of conditions	84
8.9	Effect of breach of conditions	85
8.10	Approvals for payment of consideration	85
8.11	ASIC modifications and exemptions	85
8.12	Consents	86
8.13	Kingsgate is a disclosing entity	86
8.14	Expiry Date	87
8.15	Other material information	87
9.	Offer Terms	89
9.1	The Offer	89
9.2	Consideration	89
9.3	Rounding	89
9.4	Offer Period	89
9.5	Official quotation of Kingsgate Shares	90
9.6	How to accept the Offer	90
9.7	Persons to whom the Offer is made	92
9.8	Conditions	93
9.9	Nature of conditions	96
9.10	Waiver of conditions	97
9.11	Notice of status of conditions	97
9.12	Effect of acceptance	97
9.13	Obligations of Bidder	99
9.14	Variation	100
9.15	Options	100
9.16	Foreign Andean Shareholders	101
9.17	Withdrawal	102
10.	Definitions and Interpretation	103
10.1	Definitions	103
10.2	Technical definitions	105
10.3	Interpretation	107
11.	Approval of Bidder's Statement	108
	Annexure A - Kingsgate's announcement in relation to the Offer	1

Annexure B - ASX announcements in relation to Kingsgate	7
Annexure C - ASX announcements in relation to Andean	9
Annexure D - Rights and liabilities attaching to Kingsgate Shares	10
Annexure E - Kingsgate and Andean pro-forma financial information	12
Corporate Directory of Kingsgate	21

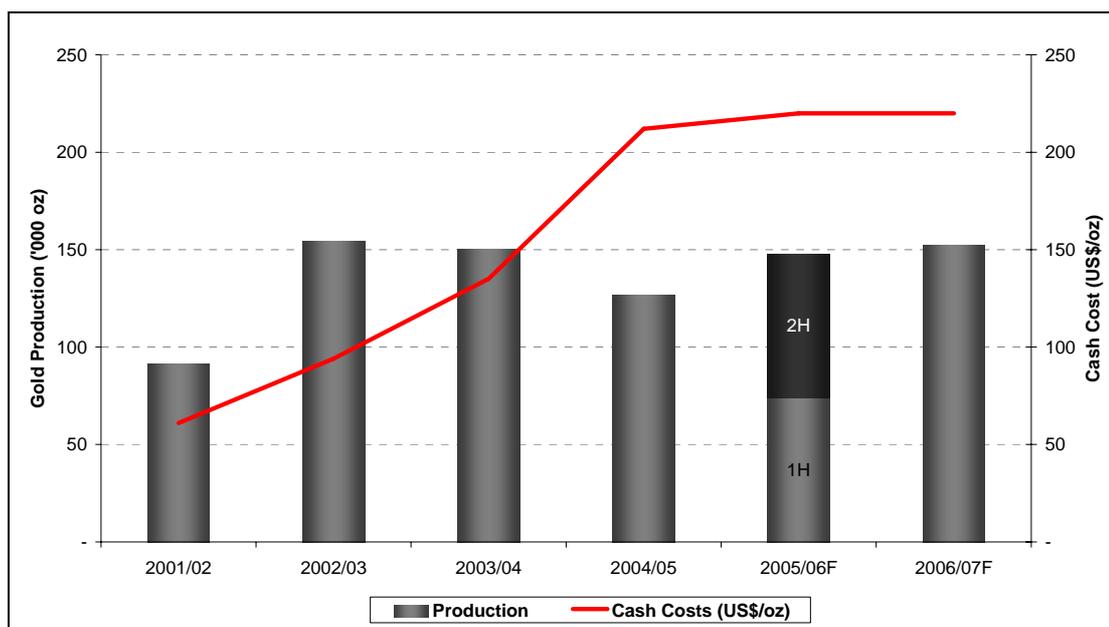
1. Profile of Kingsgate and Bidder

1.1 Overview of Kingsgate

Kingsgate is a successful Australian gold and silver mining and exploration company. As at 21 February 2006 (the trading day prior to the announcement of the Offer), Kingsgate's market capitalisation was approximately \$500 million, which positioned it as one of Australia's top 200 ASX listed companies.

Kingsgate's principal asset is the low cost Chatree gold mine in central Thailand which is owned and operated through its wholly-owned subsidiary, Akara Mining Limited. Chatree is the largest gold mine in Thailand and, since its commissioning in 2001, the mine has produced over 600,000 ounces of gold and 1.8 million ounces of silver at cash costs which continue to rank Chatree as one of the lowest cost gold operations in the world. In the year to 30 June 2006, Chatree is forecast to produce between 145,000 and 150,000 ounces of gold at a cash cost of US\$200-220 per ounce. In the year to 30 June 2007, Chatree is forecast to produce between 150,000 and 155,000 ounces of gold, at the same cash costs as the year to 30 June 2006.

Figure 4: Production and cash costs



As a result of the success of Chatree, over the past four years Kingsgate has generated strong profits and has paid or declared dividends to shareholders totalling approximately \$58 million.

Table 1: Summary Historical Earnings

	Reviewed AIFRS 6 months ended Dec 2005	Audited AGAAP 12 months ended Jun 2005	Audited AGAAP 12 months ended Jun 2004
Total Revenue (A\$'000)	36,266	66,190	86,780
Earnings before interest and income tax (A\$'000)	6,968	9,569	40,095
Operating profit/(loss) after income tax (A\$'000)	6,503	8,680	37,679
Dividends paid (A\$'000)	4,286	11,973	17,631
Dividends declared per share (A\$Cents)	5	7	22

The year to 30 June 2005 and the six months to 31 December 2005 were successful periods for Kingsgate operationally, with significant exploration success at Chatree confirming its longer term value. However, as a result of mining harder ore, which contained lower gold grades than that mined in the earlier years of operation when near surface higher grade oxide ore was extracted, this adversely impacted the financial performance of Kingsgate during this period.

Due to the higher grade of ore mined in the initial years of operation, earnings from the Chatree mine enabled a rapid pay-back of the project finance debt and allowed accelerated returns to shareholders through dividends. Despite the reduction in average head grades in recent years, overall production levels have remained relatively constant as Kingsgate expanded its operation to address this situation. Chatree is now producing at or near life of mine average gold grades and Kingsgate expects to maintain current gold production levels prior to a possible expansion in 2007/08.

The decline in gold grades in the year to 30 June 2005 has resulted in increased cash costs per ounce which has impacted the earnings and cash flow of the Company. In addition, earnings were also adversely impacted in the year to 30 June 2005 and the six months to 31 December 2005 by restrictive hedge positions that were required as part of the original mine financing. These factors contributed in operating profit after tax falling to \$8.7 million in the year ended 30 June 2005 from \$37.7 million in the previous year. Total revenue of \$66.2 million in the year ended 30 June 2005 was reduced from \$86.8 million in the previous year, reflecting the reduction in gold production together with the impact of the Australian dollar appreciation against the US dollar.

Kingsgate repaid its US\$35 million project debt facility in the year ended 30 June 2004. It currently has no debt and, as at 31 December 2005, had cash on hand of \$16.7 million.

Table 2: Summary Historical Financial Position

	Reviewed AIFRS as at 31 Dec 2005 (A\$'000)	Audited AGAAP as at 30 June 2005 (A\$'000)	Audited AGAAP as at 30 June 2004 (A\$'000)
Cash on hand	16,738	32,119	59,696
Total current assets	31,869	45,124	73,858
Total non-current assets	109,625	90,124	69,555
Total assets	141,494	135,248	143,413
Total debt	-	-	-
Total liabilities	42,770	12,218	8,367
Shareholders' equity	98,724	123,030	135,046

Kingsgate's vision is to own, develop and operate high quality mineral resource projects. Kingsgate's current operations, financial capability and development prospects will provide the platform for future growth. Following the successful development of the Chatree gold mine, Kingsgate is seeking to acquire and develop additional high quality gold projects. It is pursuing expansion opportunities in Thailand and actively developing new business opportunities in other areas of South East Asia, South America and Australia.

1.2 Chatree Gold Mine – Overview and Operations

(a) History

Kingsgate owns and operates the Chatree gold mine in central Thailand. It is located 280km north of Bangkok and straddles the two provinces of Phichit and Phetchabun, where there is established infrastructure, with quality sealed roads and grid power.

Figure 5: Location of Chatree gold mine



Kingsgate has been operating in Thailand for over fifteen years. Active exploration programs began in 1987, leading to the greenfields discovery of the Chatree gold deposit in 1995. In addition to its mining leases at Chatree, Kingsgate has also applied for ten new leases at Chatree North, one of which was granted in September 2005.

After detailed analysis, construction of the Chatree gold mine commenced in December 2000, with commissioning occurring in November 2001. It was completed on time and under budget with commercial production commencing on 24 November 2001. The designed throughput of the process plant at this time was 1.0 mtpa, which allowed for annual gold production of approximately 140,000 ounces.

An expansion of the plant was completed in December 2003 which increased nameplate capacity to 1.8 mtpa. The expansion was initiated primarily to maintain gold production levels as mining moved from the higher grade oxide ore near surface to the lower grade sulphide ores. This expansion was also completed on time and

under budget and the plant has since operated at or above design throughput. Recent installation of a pebble crusher is expected to increase plant capacity to 2.35 mtpa following expected final commissioning in the March 2006 quarter.

(b) Reserves and Resources

Kingsgate's exploration initiatives and programs to convert Resources to Reserves have achieved considerable success.

As at 30 September 2005, Reserves were 1.84 million ounces of gold and 16.6 million ounces of silver. Resources were 3.21 million ounces of gold and 26.0 million ounces of silver. This represented a substantial increase from the position at 30 June 2004 when Reserves and Resources totalled 1.08 and 1.8 million ounces of gold respectively. In addition, there are over 100,000 ounces of gold in the Inferred Resources category that have a high probability of being converted to Reserves as they are contained within the optimum pit shell.

Table 3: Resources as at 30 September 2005

CHATREE GOLD MINE RESOURCES ^(3, 4, 5, 6)						
(Inclusive of Reserves)						
(As at 30 September 2005 at a 0.7g/t gold cut-off grade)						
Source	Category	Tonnes ('000 t)	Grade		Contained Ounces	
			Gold (g/t)	Silver (g/t)	Gold	Silver
On Current Lease ⁽¹⁾	Measured	6,254	2.0	9	399,000	1,832,000
	Indicated	6,496	1.7	8	365,000	1,621,000
	Inferred	3,392	1.9	9	203,000	979,000
	Sub-Total	16,142	1.9	9	967,000	4,432,000
Chatree North ⁽²⁾	Measured	18,167	1.9	20	1,115,000	11,624,000
	Indicated	10,759	2.0	19	681,000	6,656,000
	Inferred	6,986	2.0	15	444,000	3,283,000
	Sub-Total	35,912	1.9	19	2,240,000	21,563,000
	Total	52,054	1.9	16	3,207,000	25,995,000

Table 4: Reserves as at 30 September 2005

CHATREE GOLD MINE RESERVES ⁽⁶⁾						
(As at 30 September 2005 at a 0.7g/t gold cut-off grade)						
Source	Category	Tonnes (‘000 t)	Grade		Contained Ounces	
			Gold (g/t)	Silver (g/t)	Gold	Silver
On Current Lease ⁽¹⁾	Proved	3,323	2.3	10	246,000	1,035,000
	Probable	2,796	1.9	8	170,000	711,000
	Sub-total	6,119	2.1	9	416,000	1,746,000
Chatree North ⁽²⁾	Proved	16,204	1.9	20	1,004,000	10,639,000
	Probable	6,233	1.9	20	390,000	3,980,000
	Sub-total	22,437	1.9	20	1,394,000	14,619,000
Total from Pits	Proved	19,527	2.0	19	1,250,000	11,674,000
	Probable	9,029	1.9	16	560,000	4,691,000
	Sub-total	28,556	2.0	18	1,810,000	16,365,000
Stockpiles	Sub-total	923	1.1	8	33,000	237,000
	Total	29,479	1.9	18	1,843,000	16,602,000

(1) Includes C, H, D, HS, HW, S and P at Chatree

(2) Includes A, AE, Q, KW and KE at Chatree North

(3) Calculated from composite pit outlines (including modified 4X pit shell) optimised at US\$375/oz (potential exists to adjust this as the industry increases its confidence in higher gold prices)

(4) Above 0.7 g/t cut-off grade, based on Cat 1&2 only

(5) Below 30 September 2005 mine depleted surface. No access designed unless road is relocated.

(6) Interim mineral resources and ore reserves calculated by a competent person under the JORC Code but not independently audited. Resources and Reserves as at 30 June 2005 were independently audited.

Note that some figures may not add correctly due to rounding errors

Note: Information in this section 1.2(b) and elsewhere in this Bidder's Statement that relates to geology, drilling, mineralisation, Resources and Reserves is based on information compiled by Ron James, an employee of the Kingsgate Group, who is a Competent Person under the meaning of the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code) with respect to the mineralisation being reported on. He has given consent to the Public Reporting of these statements concerning geology, drilling and mineralisation.

(c) Geology

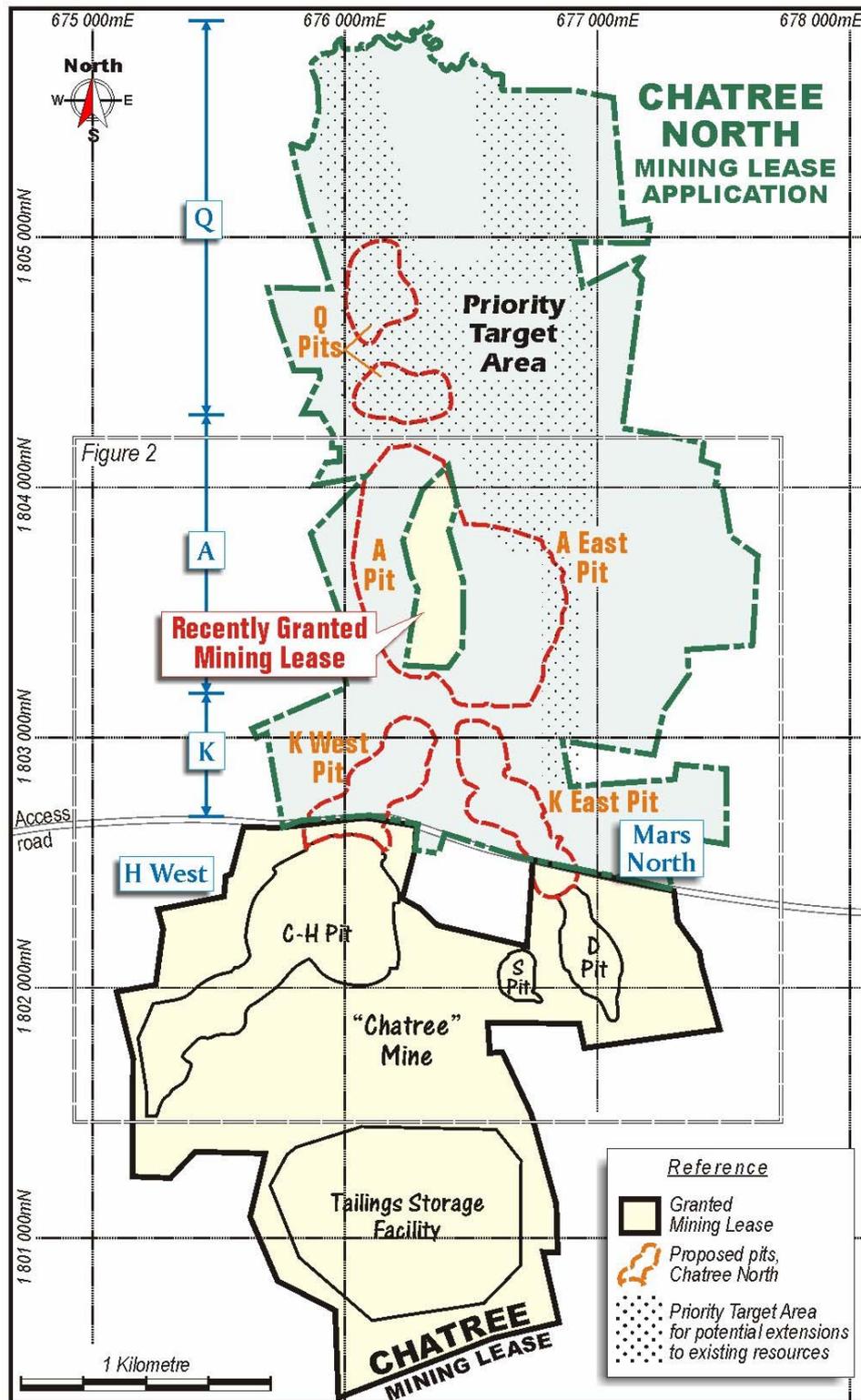
The Chatree gold mine is located in a Mesozoic island arc-style volcanic belt that trends north-south through central Thailand and into Laos, near Loei. Chatree is the only substantial gold mine in the belt.

Gold mineralisation at Chatree occurs as a low sulphidation epithermal gold deposit occurring in shallow to steeply dipping structures carrying gold bearing veins, breccias and stockworks in silicified volcanics and sediments. Indications of mineralisation have been identified over 25 kilometres and remains open ended. It displays a multi-vein mineralisation style with both lithological and structural controls. Sulphide contents are low (typically <3%) and predominantly pyrite.

(d) Mining

Conventional open pit mining methods are used at Chatree to extract the gold ore from several open pits. Selective mining methods are used, utilising excavators and smaller tonnage trucks. To date, the majority of ore has been sourced from the C-H and D pits and the smaller S pit. Mining activity has been completed in the remnant areas of D pit, which is now used as a wet season run-off water storage facility.

Figure 6: Map of Chatree operations



Local mining contractors, Lotus Hall, are used to conduct mining operations under a four year agreement which commenced on 1 July 2003. Lotus Hall have invested a significant amount of capital in acquiring the present mining fleet which is presently comprised of 25 CAT and Euclid 35-40 tonne haul trucks and 8 CAT and Hitachi excavators of 20-85 tonne capacity, in addition to other support vehicles and equipment. Trucks despatch ore from the pits to the run-of-mine (**ROM**) ore pad with waste rock transported to the waste dump or to assist the construction of the tailings storage facility (**TSF**).

Operations at Chatree initially benefited from the ability to mine softer oxide ore with average grades in the order of 4.0-6.0 grams per tonne. In more recent times, mining activity has increased to meet higher plant throughput requirements as the ore has become harder and the gold grade has fallen to the life-of-mine average of 2.0-2.5 grams per tonne. As mining has progressed and the pits have become deeper, the overall strip ratio has increased from 3:1 to between 6-9:1. The strip ratio and ore grades will continue to vary as mining at Chatree involves the mining of a number of different pits.

Figure 7: Chatree operations – C-H pits



(e) Ore Processing and Metallurgy

The Chatree processing plant was constructed in conjunction with development of the Chatree mine in 2001 at a capital cost (inclusive of mine development) of US\$32 million. The original CIL plant had a nameplate capacity of 1.0 mtpa. An electrical substation was also constructed to take power from the Thai national grid approximately 1.5 kilometres from the site. Since commencing operations, throughput has consistently exceeded the design capacity of the plant.

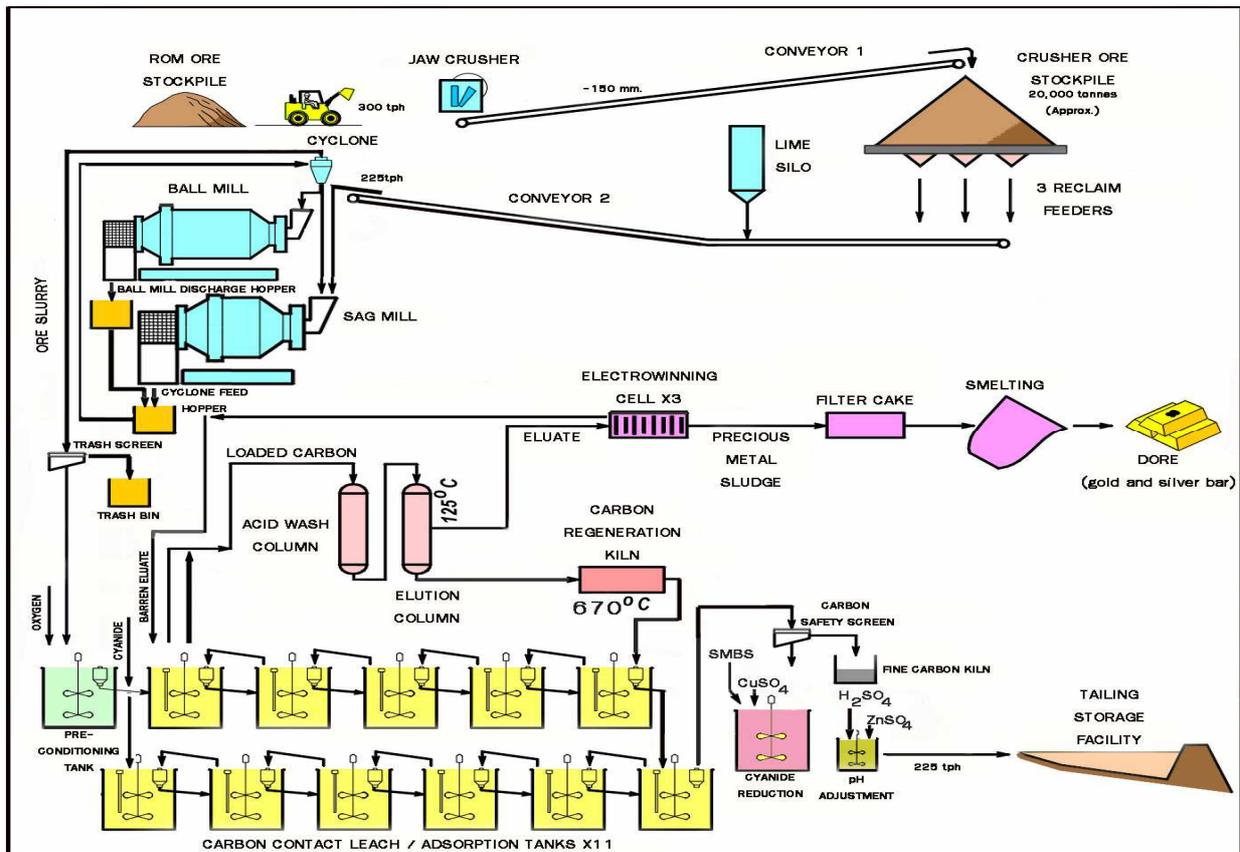
In December 2002, three additional tanks were commissioned to maximise gold recovery. In addition, a major plant upgrade to a nameplate capacity of 1.8 mtpa was approved at a cost of US\$8.1 million. Construction of two additional CIL tanks, an additional SAG mill and ancillary equipment commenced in the June 2003 quarter and was commissioned ahead of schedule in December 2003. The expansion was fully funded from internal cashflow and completed under budget.

Further refinements to the plant continued in 2004, which included the construction of a lift on the TSF and the installation of a new gravity circuit.

In 2005, optimisation of plant throughput continued, resulting in improved mill circuit grinding efficiencies. The installation of a pebble crusher into the existing mill circuit commenced in October 2005, and is currently being commissioned. It is expected to increase plant throughput capacity to 2.35 mtpa. Harder ore will continue to be encountered as the pits deepen which may reduce this throughput capacity to approximately 2.1 mtpa, but softer material from the newly granted mining lease at Chatree North is anticipated to balance out the impact of harder ore and allow the plant to operate at the new capacity.

The Chatree mine uses a simple processing technique regularly used for similar low sulphidation epithermal gold deposits around the world. A flow sheet for the current Chatree plant is provided below.

Figure 8: Chatree plant flow sheet



Processing of the ore commences with the ore from the ROM ore pad being separated into higher grade and lower grade dumps. The ore is passed through a jaw crusher, where it is crushed to less than 150 millimetres in size, and conveyed to a crushed ore stockpile which holds one week's supply of plant feed.

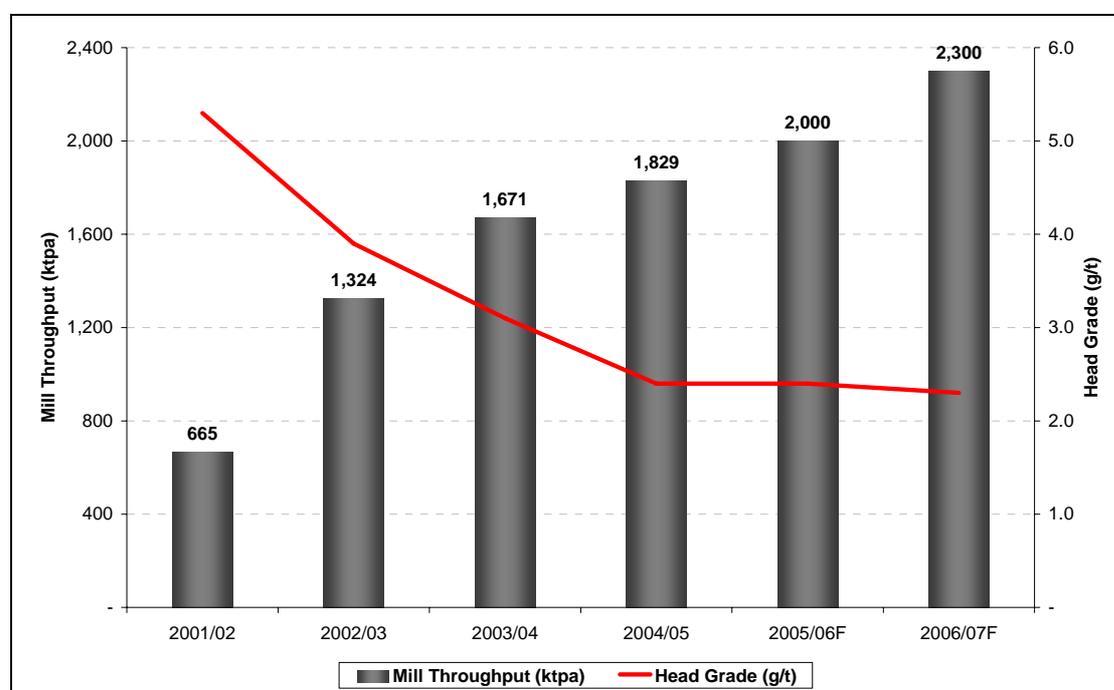
Crushed ore is fed by a conveyer into a SAG mill and ball mill where it is ground to the consistency of very fine sand (minus 75 micron size) and pumped to the cyclone tower for classification prior to entering one of the 12 cyanide leach tanks.

Gold and silver is leached from the ground ore using a dilute cyanide solution and is absorbed onto carbon grains. The gold bearing carbon is collected and the metals are stripped from it by chemicals which are then passed through an electrowinning cell in which the metal is electroplated onto the cathode. The metal is recovered as sludge, before it is dried, smelted, and poured into dore bars. These bars are then shipped to an offshore refinery in Hong Kong for purification into saleable gold and silver.

The solution containing leached ground ore is detoxified to remove the majority of cyanide (to a maximum of 20 ppm) prior to delivery to the TSF. In the six months to 31 December 2005, total cyanide levels have averaged 7.2 ppm. More than 85% of the water is recycled for repeat use in the plant.

Gold recovery has consistently remained between 90-91.5% since operations commenced in 2001/02, despite harder ore and an increase in throughput. This is due to simple metallurgical characteristics common to low sulphidation epithermal gold deposits. Silver recoveries have been improving over time from 35-40% to 40-47%, as the separation techniques have been refined.

Figure 9: Mill throughput and head grade



(f) Recent Operational Performance

Since its commissioning in November 2001, Chatree has produced in excess of 600,000 ounces of gold and 1.8 million ounces of silver, including gold production for the year to 30 June 2005 of 126,550 ounces at a cash cost of US\$212 per ounce.

Table 5: Summary of Operational and Financial Performance

Year ended 30 June	Dec half 2005	2005	2004	2003	2002
PRODUCTION					
Ore mined ('000 tonnes)	971	1,521	1,946	1,511	821
Ore treated ('000 tonnes)	912	1,829	1,671	1,324	665
Head grade - Au g/t	2.8	2.4	3.1	3.9	5.3
- Ag g/t	18	13	15	22	42
Strip ratio of waste to ore (bcm)	7.7	8.1	5.5	3.1	2.3
Gold recovery (%)	91.0	90.8	91.2	90.2	90.8
Gold poured (ounces)	74,106	126,550	149,979	154,484	91,185
Silver poured (ounces)	250,208	353,275	395,346	484,170	353,146
Average realised gold price on physical deliveries (US\$/ounce)	348	401	385	335	308
Average gold spot price (US\$/ounce)	463	422	391	334	289
Total Cash Cost (US\$/ounce)	175	212	135	94	61
Total Production Cost (US\$/ounce)	215	262	189	143	116

In the year to 30 June 2005, the Chatree mine continued to perform strongly under challenging conditions. Gold grades declined as anticipated from 3.1 grams per tonne in the previous year to 2.4 grams per tonne (compared to the expected life-of-mine gold grade of 2.0-2.5 grams per tonne) and gold recovery of 90.8% was maintained, despite the increased throughput. The full year benefit of the processing plant upgrade (which was completed in December 2003) was realised, with the plant operating above its design capacity at that time of 1.8 mtpa. Ore mined decreased due to an increased strip ratio, but ore treated at the plant continued to rise, averaging an annualised rate of 2 mtpa in the June quarter 2005.

In the six months to 31 December 2005, total cash costs decreased to US\$175 per ounce with higher volumes of ore being mined at a reduced mining strip ratio. Total production costs were US\$215 per ounce for the same period. Cost pressures are expected to increase during the period to 30 June 2006. Extra haulage costs are expected to be incurred as mining commences at Chatree North, together with other cost increases reflecting industry wide cost rises in production inputs such as diesel fuel, power, cyanide and explosives.

In the year to 30 June 2006, Chatree is forecast to produce between 145,000 and 150,000 ounces of gold at a cash cost of US\$200-220 per ounce. In the year to 30 June 2007, Chatree is forecast to produce between 150,000 and 155,000 ounces of gold, at the same cash costs as the year to 30 June 2006. Further details on Kingsgate's forecast production and cash costs are contained in section 5.2.

(g) Safety, Health and Environment

Chatree has developed a strong safety culture since it commenced construction in November 2000, with more than six million hours having been worked to date with only one lost time injury, providing Chatree with one of the best safety records of any mine in the world. For the year ended 30 June 2005, the Lost Time Injury Frequency Rate (LTIFR) was 0 compared with an industry average of 4.0 for Australian open cut mines. There were no reportable environmental incidents during this period and the mine remains in compliance with all regulatory requirements. Kingsgate maintained its accreditation for ISO 9001 for Quality Management, ISO 14001 for Environmental Management and OHSAS 18001 for Occupational Health and Safety Management during the year.

The safety, environmental and operational practices at Chatree were acknowledged by industry bodies and the operation won a number of awards in the year to 30 June 2005.

(h) Employee and Community Relations

The Chatree operation supports a total workforce of approximately 738 people, comprising 258 employees and 480 contractors. Approximately 99% of the workforce are Thai nationals. Contractors used at the mine are predominantly local and national Thai companies, consistent with Kingsgate's policy of employing Thai based personnel. Contractors are commissioned to undertake work at the mine or on exploration tenements, in addition to providing support services such as employee transport, cooking and eating facilities and security.

In 2005, Kingsgate's subsidiary, Akara, was awarded the Thai Prime Minister's 'Best Practice Award for Employee Welfare' for the third year running. Akara was also awarded a trophy and certificate by the Thai Ministry of Labour for its 'Best Practice Award for Labour relations'. At Chatree, Kingsgate has implemented a strong community affairs program under which it has initiated a number of community related projects in 2005. These included installation of a water system in a local village (two now completed), the rebuilding of two local schools, sponsorship of educational programs in local schools and sponsorship of a number of local festivals and sporting events.

As a supporter of the Thai economy, the Chatree mine also has a 'Buy Thai' policy and is continuing to source supplies and services in Thai domestic markets. In excess of 80% of warehouse line item purchases are now sourced within Thailand and a significant amount of services are also being supplied locally.

(i) Social Responsibility Index

Kingsgate is the only gold mining company to be included in the RepuTex Social Responsibility Investment (**SRI**) Index launched in August 2005 in Australia. Kingsgate has been awarded an A rating.

The RepuTex SRI Index includes 44 companies from the S&P/ASX 300 Index spread across a broad range of industry sectors. The RepuTex SRI Rating is an assessment of the extent to which an organisation is performing in a socially responsible manner and managing its social risk exposures in terms of corporate governance, environmental impact, social impact and workplace practices. The index goes beyond ethical investment and takes into consideration risk analysis and management, past and current practices, and future risk exposures relating to social responsibility.

Other companies with a similar rating to Kingsgate in Australia include Wesfarmers Limited, Woodside Petroleum Limited, Qantas Airways Limited, OneSteel Limited and BlueScope Steel Limited. Kingsgate, BHP Billiton Limited and Rio Tinto Limited are the only mining companies in the Australian index.

1.3 Chatree Gold Mine – Potential Development and Exploration

The key growth initiatives for Kingsgate are the continued development of the Chatree operation together with a focussed gold exploration program and prudent acquisitions.

(a) Potential Chatree Expansion and Chatree North Mining Lease Applications

At Chatree, a scoping study focussed on increasing current ore throughput to between 3 and 5 mtpa was completed in April 2005. Ausenco has been commissioned to complete a feasibility study into expanding the plant throughput rate to 5 mtpa. This study is expected to be completed by the end of April 2006 and deliver a Lump Sum Turn-key amount for the expansion based on an open book approach, which can be independently reviewed. If agreement cannot be reached, then Kingsgate may proceed on an EPCM basis. A 5 mtpa operation would conceivably increase gold production to over 300,000 ounces of gold per annum. It would involve the mine becoming a large multi-pit operation extending over 3 kilometres north to south. The scoping study indicated that the capital cost to expand the plant to 5 mtpa would be approximately US\$35-40 million with an accuracy of plus or minus 30%.

The size and timing of the expansion at Chatree is largely contingent on the ability of Kingsgate to source ore from tenements at Chatree North which are currently the subject of applications for mining leases lodged by Kingsgate. The mining lease applications comprise ten separate mining leases of which one was granted in September 2005, covering a part of A pit. Kingsgate has lodged all statutory documentation required for the mining lease applications and is confident of receiving all necessary approvals for the expansion, although timing remains uncertain. The Thai Government has called a general election for April 2006, which may lead to some delays in the granting of the abovementioned mining leases. See also section 7.4(d) for more details.

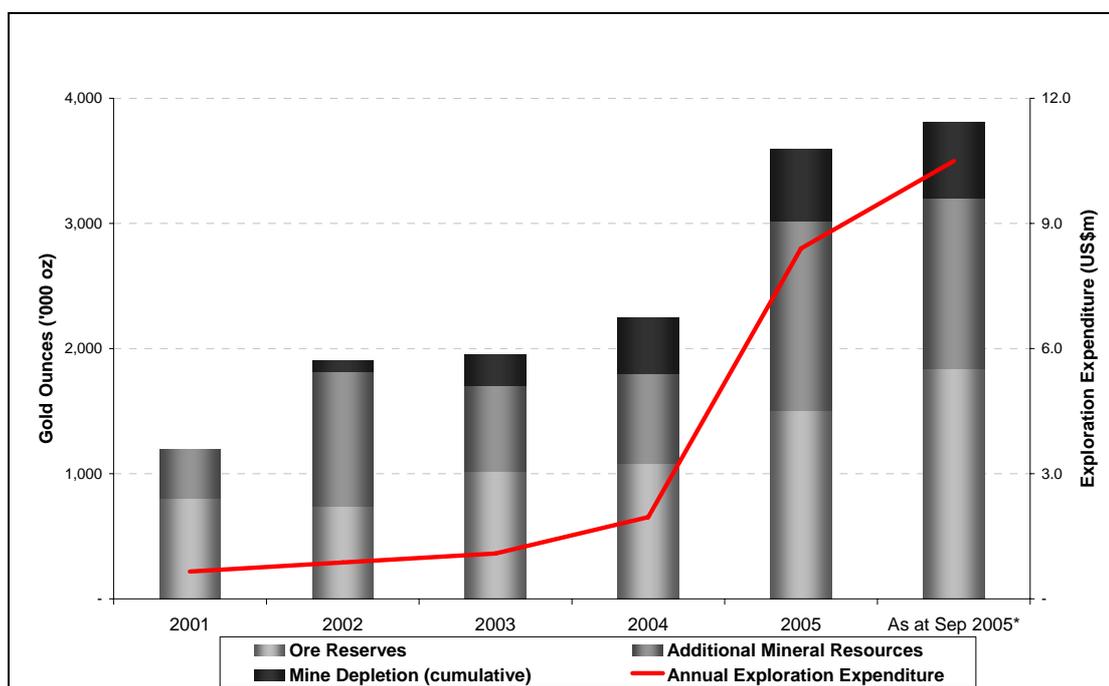
If the leases are granted, a series of pits will be developed over Chatree North as shown in Figure 6 in section 1.2(d). Mining in A pit will commence during the March quarter 2006 within the recently granted mining lease.

(b) Exploration Activities

Kingsgate has achieved considerable exploration success at Chatree in the 15 months to 30 September 2005 by fully replacing Reserve ounces mined over this time as well as increasing the Chatree Reserve base by a further 70% to 1.84 million ounces of

gold. Resources of 3.2 million ounces of gold as at 30 September 2005 have increased 78% over the same period.

Figure 10: Reserve and Resource replacement history.



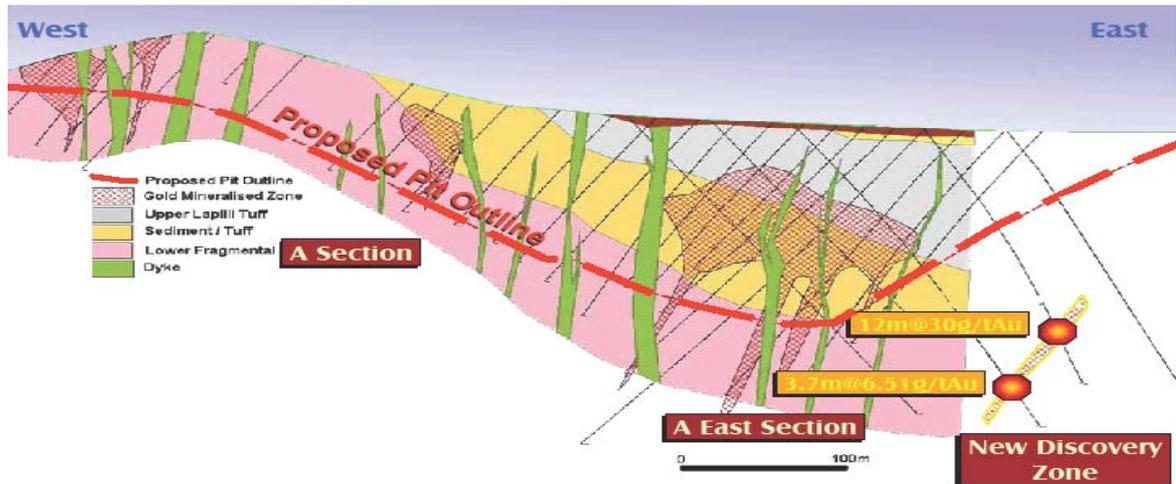
* Annual exploration expenditure forecast for the year to 30 June 2006.

In the year to 30 June 2006, Kingsgate expects to spend US\$9 million on exploration activities in Thailand, predominantly at Chatree. These activities continue to focus on developing Resources and Reserves near the Chatree mine area. The area surrounding the Chatree mine has been termed the Chatree Volcanic Complex and Kingsgate believes it is developing into a world class gold system.

Recent drilling in the Chatree mine area has extended the known mineralisation to deeper levels to the west of the H orebody and beneath the main C pit, with high grade intercepts being encountered beneath both pits. Potential exists to further deepen the C-H pits and underground development is a future possibility.

While the Chatree North mining lease applications are being processed, drilling has continued in the Chatree North area. The major focus of this drilling program is to increase the Resource and Reserve base associated with the A, A East, K and Q sections. High priority targets with significant Resource growth potential exist at depth, laterally and as repetitions across the width of the mineralised system.

Figure 11: Cross-section of proposed A pit at Chatree North



Kingsgate's high success rate of locating mineralisation is due to effective targeting methods. Detailed ground geophysics is merged with mapping, drillholes, geology and airborne geophysical data into a 3D dataset for real-time 3D visualisation and modelling. This data set can then be used to evaluate specific targets as well as to observe regional trends.

Skilled Thai geologists have been an important part of Kingsgate's exploration program. Detailed workshops are held on site with international experts so that all members of the technical team have the requisite skill base. International experience has been used to augment some individuals' skill sets.

1.4 Other Exploration Activities

Kingsgate is also exploring in other areas of South East Asia, South America and in Australia, through its investment in Goldstar Resources NL. In the year to 30 June 2006, Kingsgate expects to spend in the order of US\$1-2 million on exploration in these areas, excluding any further exploration expenditure which Kingsgate may make at the Cerro Negro Project in the event that the Offer is successful.

Kingsgate has recently applied for exploration (special prospecting) leases covering 1500 square kilometres over an area centred on Chatree. A regional exploration program has identified 39 prospects to date within this area. The exploration undertaken has involved stream sediment, soil and rock chip sampling, top of bedrock drilling and mapping.

In South America, Kingsgate has recently been granted tenements in south central Peru and in northern Chile. The tenements cover a number of large alteration systems with potential for high grade gold/silver epithermal systems. Kingsgate is also continuing its exploration activities in Argentina, Peru and Chile. Exploration in Chile is focussed on grass roots reconnaissance in the Palaeocene Belt and work has commenced on the San Luis property near Copiapo, which is prospective for gold and silver epithermal mineralisation. Exploration in Argentina has been accelerated with the appointment of two geologists and the establishment of an office in San Juan, with the aim of identifying low sulphidation epithermal gold-silver vein deposits.

In Australia, Kingsgate has acquired a 19.72% interest in Goldstar Resources NL.²⁰ Goldstar's principal area of interest is in Victoria where it is working to complete a scoping study at its Walhalla prospect by mid 2006. The Walhalla field produced over 1.5 million ounces of gold from high grade quartz veins between the 1880's and 1930's.

1.5 Royal Thai Board of Investment (BOI)

Akara, Kingsgate's wholly owned subsidiary in Thailand which owns the Chatree gold mine, operates in accordance with approvals provided by the BOI. The BOI is empowered to sponsor both domestic and foreign investment projects by extending commercial benefits to these projects. Akara's sponsorship for the Chatree gold mine includes the following benefits:

- (a) an 8 year full corporate tax holiday from first production, followed by a 5 year period of 50% tax reduction, equating to 15% corporate tax from November 2009 to November 2014. (Under the Thailand Australia Double Taxation Treaty, Australian tax authorities recognise the benefits extended by Thailand and deem that Thai taxes paid have been paid for the purpose of Income Tax in Australia);
- (b) exemption from withholding tax on dividends to Kingsgate for 8 years to November 2009;
- (c) exemption for the initial project construction from import duties on plant and equipment not manufactured in Thailand;
- (d) exemption for a period of 5 years from import duties on consumables not manufactured in Thailand;
- (e) a guarantee against nationalisation; and
- (f) exemption for 5 years from first production from the terms of the Alien Business Law requiring majority Thai equity in mining companies in Thailand. At the end of the 5 years (November 2006), Akara is required to sell down 51% ownership of the Chatree project (including Chatree North) to Thai nationals. For more information on the sell down requirement, see section 1.6 below.

One of the provisions of the BOI approval is that the income tax exemption applies up to annual production ceilings, with any excess being subject to tax. The production ceiling for the year to 30 June 2004 and subsequent years is set at 178,416 ounces of gold and 583,733 ounces of silver. Previously, this production ceiling was raised to its current level as part of the expansion of throughput capacity of the Chatree plant to 1.8 mtpa and Kingsgate believes that a similar increase would be favourably considered if requested as part of the proposed future expansion.

1.6 BOI Sell Down Requirement

Kingsgate is actively negotiating an outcome for the BOI sell down requirement referred to in section 1.5(f). Kingsgate has recently applied to the BOI for a three year extension to the sell down requirement. Any future sell down will be a negotiated outcome, with Kingsgate confident of receiving sales proceeds reflecting the market value of that portion of the Chatree project to be sold. The mechanism for the sell down will be determined by Kingsgate with the

²⁰ This percentage may change as a result of the capital raising announced by Goldstar Resources NL on 27 February 2006.

objective of maximising the value received by Kingsgate. It may include a sale or initial public offering on the stock exchange of Thailand, subject to market conditions at the time.

Australia and Thailand have recently implemented a Free Trade Agreement (*FTA*) which permits Australian companies to own up to 60% of Thai mining ventures after January 2005. In the event that Kingsgate does not obtain the requested extension to the BOI sell down requirement, Kingsgate may apply under the FTA for Akara to retain ownership of 60% of the Chatree project.

1.7 Directors and management

(a) Directors

Ross Smyth-Kirk

Non-Executive Chairman

B Com, CPA, F.Fin

Ross Smyth-Kirk was a founding Director of the former leading investment management company, Clayton Robard Management Limited. He has had extensive experience over a number of years in investment management including a close involvement with the minerals and mining sectors. He was appointed to the Kingsgate Board on 29 November 1994 and has been a Director of a number of companies over the past 30 years in Australia and the UK.

John Falconer

Non-Executive Director & Company Secretary

FCA, F.Fin

John Falconer is a Fellow of the Institute of Chartered Accountants in Australia. He is principal of Carbone Falconer & Co, a firm of Chartered Accountants practising in Sydney, whose client base includes small publicly listed companies as well as a number of successful family businesses. His work for these companies has included various onshore and offshore acquisitions.

Peter McAleer

Non-Executive Director

B Com (Hons), B L (Kings Inns – Dublin – Ireland)

Peter McAleer is Chairman of Westmag Limited and a Director of Kenmare Resources Plc (Ireland). Previously, he was a Director and Chief Executive Officer of Equatorial Mining Limited and a Director of Mineral El Tesoro (Chile). He has been an Executive Director of Whim Creek Consolidated NL, Austwhim Resources NL and The Northgate Group of Companies (Canada). He has been involved in the successful development of over 10 base and precious metal deposits in Europe, Australia, South America and North America and has approximately 20 years experience working in South America.

(b) Senior management

Gavin Thomas

Chief Executive Officer

B Sc (Geology), F AusIMM, Ch.G

Gavin Thomas has had a successful career in developing mining companies from the exploration phase into mid-tier gold and/or copper production entities. He has over 32 years of international experience in exploring for, evaluating, developing and operating mines in North America, South America, Australia, the Southwest Pacific, Asia and Europe. Amongst other things he was credited with the discovery of the Lihir gold deposit in Papua New Guinea, one of the largest gold deposits in the world. In particular he has extensive experience in Thailand and South America where he has worked for over 16 years. Over this time, he has acquired a wealth of knowledge of the mining sectors and has established various key relationships in these countries.

Gavin Thomas is currently a director of Andean Resources Limited, Mercator Minerals Limited and Cordillera PLC.

Phil MacIntyre

General Manager - Chatree Gold Mine

B Sc (Hons), F AusIMM, MCIM, SME

Phil MacIntyre has over 30 years of mine operations experience in Canada, Papua New Guinea, Australia and Thailand. He joined Kingsgate as the general manager of Chatree Gold Mine in July 2001. He has a metallurgical background and was the mine general manager at the Kidston Gold Mine in Queensland, Australia prior to joining Kingsgate. Prior to Kidston, he was mill superintendent at the Porgera Joint Venture in Papua New Guinea and at the Royal Oak Giant Mine, Westmin Resources Myra Falls Mine and Premier Gold Project and others in Canada.

Stephen Promnitz

Corporate Development Manager

B Sc (Hons)

Stephen Promnitz has extensive experience across the resources sector in acquisitions, equity analysis, corporate finance, project management, mining and exploration geology. Prior to working for Citigroup and Westpac, he spent over 15 years with WMC Resources, Rio Tinto and Placer Dome, including a global brief as manager-acquisitions for WMC. He spent six years in South America, mainly in Argentina as country manager and commercial and exploration manager for WMC. Prior to South America, he worked in exploration for precious and base metals in Papua New Guinea, Indonesia and Australia. He joined Kingsgate in August 2005 to cover business development, investor relations and commercial activities.

Ron James

General Manager - Exploration and Resource Development

BSc Geology, M Aus IMM, M AIG, M SEG

Ron James was born in Chile and has 25 years of experience in exploration and mining at management level. Before joining Kingsgate, he was Chief Mine Geologist at the Gold Ridge mine in the Solomon Islands and later Group Exploration Manager for Ross Mining NL. He is familiar with the technical and operating requirements for emerging projects in a variety of terrains and environments. He has broad experience setting up gold mines and exploration projects from their earliest stages through to development and sustainability.

Surapol Udornpornwirat

Vice President – Akara Mining Limited

B Sc (Geology), EMBA, Dip. in Minex

Surapol Udornpornwirat has over 21 years of both technical and management experience in both the Thai government and private sector. This includes 11 years as an exploration geologist for the Thai Department of Mineral Resources and 3 years as a mineralogist of the South-East Asian Tin Research and Development Centre in Malaysia. Before joining Kingsgate, he was the exploration manager of Banpu PLC, a major coal miner and power plant operator in Thailand. He has been associated with the Chatree Gold Project since 1992 and was appointed as vice president of Akara Mining Limited in April 1998.

1.8 Summary Financial Information

Summary financial information for Kingsgate for the period 30 June 2001 to 31 December 2005 is provided below.

Table 6: Summary Profit and Loss Statement

SUMMARY PROFIT AND LOSS						
(A\$'000)						
	Reviewed AIFRS six months ended Dec 2005	Audited AGAAP year ended Jun 2005	Audited AGAAP year ended Jun 2004	Audited AGAAP year ended Jun 2003	Audited AGAAP year ended Jun 2002	Audited AGAAP year ended Jun 2001
Sales Revenue	35,444	63,719	84,410	94,020	54,688	-
Other Revenue	822	2,471	2,370	627	1,818	63
Total Revenue	36,266	66,190	86,780	94,647	56,506	63
Operating Expenses	24,668	46,697	34,343	28,465	9,685	-
Administration & Other Costs	634	1,404	1,019	3,563	2,223	1,890
EBITDA	10,964	18,089	51,418	62,619	44,598	(1,827)
Depreciation & Amortisation	3,996	8,520	11,323	13,293	8,620	34
EBIT	6,968	9,569	40,095	49,326	35,978	(1,861)
Borrowing Costs	465	889	2,416	2,003	2,566	504
Operating profit/(loss) before income tax	6,503	8,680	37,679	47,323	33,412	(2,365)
Income tax expense/(credit)	-	-	-	-	390	-
Operating profit/(loss) after income tax	6,503	8,680	37,679	47,323	33,022	(2,365)
Dividends paid (Cash & DRP) (A\$ 000's)	4,286	11,973	17,631	19,927	-	-
Number of ordinary issued shares (000')	85,713	85,949	85,329	72,869	71,649	61,233
Basic Earnings per share (A\$ Cents)	7.6	10.1	45.5	65.4	48.5	-
Dividends declared per share (A\$ Cents)	5	7	22	25	15	-

Table 7: Summary Balance Sheet

SUMMARY BALANCE SHEET (A\$'000)						
	Reviewed AIFRS as at Dec 2005	Audited AGAAP as at Jun 2005	Audited AGAAP as at Jun 2004	Audited AGAAP as at Jun 2003	Audited AGAAP as at Jun 2002	Audited AGAAP as at Jun 2001
Current assets - Cash	16,738	32,119	59,696	28,914	25,262	6,279
- Other	15,131	13,005	14,162	14,057	12,984	416
Non-Current assets	109,625	90,124	69,555	53,336	63,619	42,925
Total assets	141,494	135,248	143,413	96,307	101,865	49,620
Total debt	-	-	-	18,694	44,448	28,509
Other liabilities	42,770	12,218	8,367	4,329	15,775	7,755
Total liabilities	42,770	12,218	8,367	23,023	60,223	36,264
Shareholders' equity	98,724	123,030	135,046	73,284	41,642	13,356

Table 8: Summary Statement of Cashflows

SUMMARY STATEMENT OF CASHFLOWS (A\$'000)						
	Reviewed AIFRS for the six months ended Dec 2005	Audited AGAAP for the year ended Jun 2005	Audited AGAAP for the year ended Jun 2004	Audited AGAAP for the year ended Jun 2003	Audited AGAAP for the year ended Jun 2002	Audited AGAAP for the year ended Jun 2001
CASHFLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	33,657	65,440	86,194	94,506	49,264	-
Payments to suppliers and employees	(27,013)	(44,350)	(37,764)	(36,334)	(17,982)	(1,974)
Other	85	1,094	864	(1,216)	(2,345)	(417)
NET CASHFLOWS FROM OPERATING ACTIVITIES	6,729	22,184	49,294	56,956	28,937	(2,391)
CASHFLOWS FROM INVESTING ACTIVITIES						
Payments for exploration, land acquisitions and mine development	(10,104)	(33,913)	(11,160)	(7,512)	(34,484)	(17,784)
Payment for property, plant and equipment	(4,829)	(4,229)	(12,837)	(5,368)	(24)	(1,197)
Other	(2,399)	-	-	-	(606)	(67)
NET CASHFLOWS FROM INVESTING ACTIVITIES	(17,332)	(38,142)	(23,997)	(12,880)	(35,114)	(19,048)
NET CASHFLOWS FROM FINANCING ACTIVITIES						
Net cashflows from equity transactions	(1,269)	(508)	41,727	2,485	6,425	-
Proceeds from borrowings	-	-	13,274	-	35,945	26,872
Repayment of borrowings	-	-	(32,693)	(19,984)	(17,561)	-
Dividends Paid	(3,849)	(9,684)	(16,676)	(19,927)	-	-
NET CASHFLOWS FROM FINANCING ACTIVITIES	(5,118)	(10,192)	5,632	(37,426)	24,809	26,872
NET DECREASE/INCREASE IN CASH HELD	(15,721)	(26,150)	30,929	6,650	18,632	5,433
Cash at the beginning of the financial year	32,119	59,696	28,914	25,262	6,279	846
Effects of exchange rate changes on cash	340	(1,427)	(147)	(2,998)	351	-
CASH AT THE END OF FINANCIAL YEAR	16,738	32,119	59,696	28,914	25,262	6,279

1.9 Hedging

Kingsgate has a small hedge book relative to its current Reserve base. It was established as part of the 100% project financing of the Chatree mine in 2000. Kingsgate's full hedge position as at 31 December 2005 is detailed in Table 9. The total committed ounces in the hedge book represent only 6% of Reserves. Based on the current production schedule, it is expected that the call options will be delivered into by 30 June 2007. Kingsgate has significant exposure to spot gold prices in the medium term.

The negative mark to market of the current hedge book at 31 December 2005 was US\$24.3 million, based on a spot price of US\$517.38 per ounce and an exchange rate of US\$0.7320 on 31 December 2005. The negative mark to market of the hedge book as at 22 February 2006 was US\$24.9 million, based on a spot price of US\$554.50 per ounce and an exchange rate of US\$0.7389. This valuation is not an estimate of future hedging results as this will depend on market conditions at the time of delivery.

Kingsgate is managing its hedge book with a view to providing greater spot price exposure and has recently moved to aggressively reduce commitments to counteract the accounting treatment of some instruments under AIFRS. It is anticipated that longer dated hedge positions from the 2007/08 year will be delivered into during the current financial year. Approximately 58,000 ounces of gold hedges are anticipated to remain at the end of the year to 30 June 2006. Kingsgate's current hedging policy is to deliver into current hedge positions to reduce its overall hedge exposure and to minimise any hedge exposure in the future.

Table 9: Gold hedging positions as at 31 December 2005

		2005/06	2006/07	2007/08	Total
Put Options Purchased					
US\$ denominated	'000/oz	32.5	73.5	22.5	128.5
ENRP (average)	US\$/oz	300	306	330	307
A\$ denominated	'000/oz	17.5	31.5	14.0	63.0
ENRP (average)	A\$/oz	570	570	570	570
Call Options Sold (no barriers)					
US\$ denominated	'000/oz		5.8	22.5	28.3
Strike price (average)	US\$/oz		360	360	360
Call Options Sold (with barriers)					
US\$ denominated	'000/oz	32.5	58.5		91
Strike price (average)	US\$/oz	317	317		317
Barriers (average)	US\$/oz	301	302		302
Total Gold Hedge	'000/oz				191.5
Total Committed (no barriers)	'000/oz				28.3
Total Committed (with barriers)²	'000/oz				91.0
Total Committed (all hedges)³	'000/oz				119.3

1. ENRP (Estimate Net Realisable Price) is after making allowance for gold lease fees. Following a restructure during the June 2004 quarter, all puts have no lease rate exposure.
2. When active, the barrier on the call option is triggered by a single trade at or below the respective barrier level, with all associated ounce commitments knocked out. If gold trades below relevant US\$ barriers after 15 March 2005, the remaining call options with barriers will be cancelled and the committed ounces with barriers will reduce to zero.
3. Put options are not committed ounces and do not form part of the Total Committed ounces.

1.10 Dividend Policy

Kingsgate has been paying dividends since the first year of operation at Chatree and intends to continue a policy of paying regular dividends based on profitability. Kingsgate's current dividend policy is to pay out approximately 50% of its full year profit after tax to shareholders after having regard to the cash position of Kingsgate at the time and the requirements for the ongoing development of Kingsgate. Kingsgate's focus is to maximise returns to shareholders.

A history of dividends/distributions declared and paid²¹ is as follows:

Table 10: Dividend history

Record date	Payment date	Dividend type	Amount per security in cents	Total dividend (\$'000)	Franked amount per security in cents
23 September 2002	28 October 2002	Final	15.0	10,820	Nil
3 April 2003	17 April 2003	Interim	12.5	9,107	Nil
3 September 2003	1 October 2003	Final	12.5	9,125	Nil
19 March 2004	2 April 2004	Interim	10.0	8,506	Nil
10 September 2004	15 October 2004	Final	12.0	10,251	Nil
9 March 2005	17 March 2005	Interim	2.0	1,722	Nil
9 September 2005	27 September 2005	Final	5.0	4,286	Nil
21 April 2006	28 April 2006	Interim	5.0	4,290 ²²	Nil

Kingsgate currently offers Kingsgate Shareholders who are resident in Australia or New Zealand the opportunity to participate in a Dividend Reinvestment Plan (**DRP**). Shares issued under the DRP are issued at a 2% discount to the average market price of Kingsgate Shares calculated in accordance with the rules of the DRP.

1.11 Information about Kingsgate securities

(a) Kingsgate issued securities

As at the date of this Bidder's Statement, there are on issue:

- 85,802,516 Kingsgate Shares; and
- 3,300,000 Kingsgate Options.

(b) Trading of Kingsgate Shares

²¹ The payment date for the 2006 interim dividend is 28 April 2006.

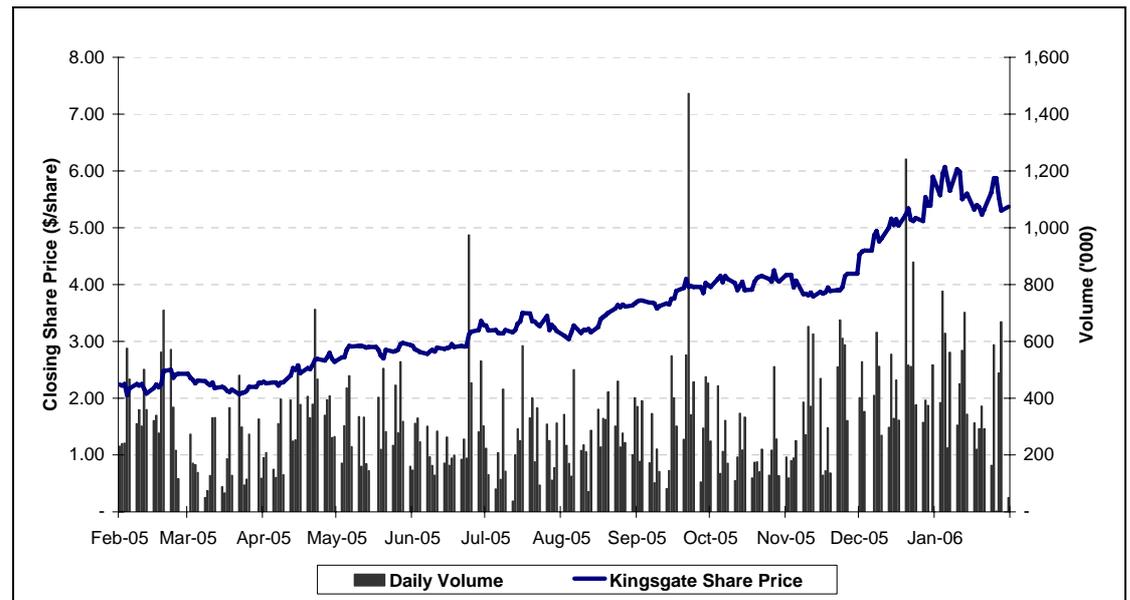
²² This number may increase depending upon the level of acceptances received from Andean Shareholders.

The closing sale price of Kingsgate Shares on the ASX on 27 February 2006 (being the trading day prior to the date of this Bidder's Statement) was \$5.37.

The highest recorded sale price of Kingsgate Shares on the ASX in the four months before the date of this Bidder's Statement was \$6.07 on 1 February 2006. The lowest recorded sale price of Kingsgate Shares on the ASX in the four months before the date of this Bidder's Statement was \$3.70 on 9 November 2005.

The following graph sets out the daily closing price and daily volume of Kingsgate Shares traded on the ASX from 28 February 2005 to 27 February 2006.

Figure 12: Kingsgate Share price and volume history



The VWAP of Kingsgate Shares on the ASX:

- over the six months to 27 February 2006 was \$4.44;
- over the three months to 27 February 2006 was \$4.94; and
- over the month to 27 February 2006 was \$5.65.

(c) Shareholders in Kingsgate

The only substantial shareholder of Kingsgate recorded by Kingsgate as at the date of this Bidder's Statement is as follows:

Substantial shareholder	Number of Shares	Percentage (%)
Gold 2000 Limited	5,845,000	6.8%

(d) Rights and liabilities attaching to the Kingsgate Shares offered

The Kingsgate Shares received as consideration under the Offer will be fully paid and rank equally with existing Kingsgate Shares.

Kingsgate Shares are quoted on the ASX. An application will be made within seven days after the start of the Bid Period to the ASX for official quotation of the Kingsgate

Shares to be issued pursuant to the Offer. Quotation is not guaranteed nor automatic on such an application.

Nothing in this Bidder's Statement will be taken to state or imply that the Kingsgate Shares issued under this Offer will be quoted on the ASX, but quotation is expected in the ordinary course as Kingsgate is already admitted to the Official List of the ASX.

The rights and restrictions attaching to the Kingsgate Shares which will be issued as consideration under the Offer are set out in Kingsgate's Constitution and in the Corporations Act and are subject to statutory, common law and ASX Listing Rules requirements. The main rights and liabilities attaching to the Kingsgate Shares are summarised in Annexure D.

(e) Kingsgate Options

As at the date of this Bidder's Statement, Kingsgate has in place a Kingsgate Employees and Contractors Option Plan. In addition, a series of options have been granted to key executives.

Kingsgate is entitled to issue options at its discretion within shareholder approved limits.

If all of the options (as described below) which have vested and are currently "in the money"²³ were exercised, a further 210,000 Kingsgate Shares would be issued. This represents approximately 0.24% of the total number of Kingsgate Shares currently on issue.

A. *Employees and Contractors Share Option Plan*

Under the Employees and Contractors Share Option Plan, 1,433,000 unissued options exist which may be issued to employees and contractors of Kingsgate and its subsidiaries. The options are issued at the discretion of the Kingsgate Board taking into consideration employees' and contractors' contribution to the success and future prosperity of Kingsgate.

Exercise of an option entitles the holder to one Kingsgate Share. Options may be exercised from the date of issue at an exercise price 10% above the average closing sale price of Kingsgate Shares on the ASX over the 5 trading days preceding the issue date until expiry 3 years from the date of issue.

If an option holder or an option holder's associate ceases to be an employee or contractor of Kingsgate, any unexercised options held by that employee or contractor must be exercised within 6 months of the date the employee or contractor ceases to be an employee or contractor. Any options that are not exercised within the 6 month period will be cancelled.

On 11 January 2006, 90,000 options under the Employees and Contractors Share Option Plan were exercised and converted into Kingsgate Shares.

As at the date of this Bidder's Statement, the following options were outstanding under the Employee and Contractor's Share Option Plan.

²³ Based on the closing price of Kingsgate Shares of \$5.87 on 21 February 2006.

Table 11: Options outstanding under the Employee and Contractors Share Option Plan

No. of Options	Exercise Price	Expiry Date
100,000	\$3.93	29 January 2007

B. Executive options

As at the date of this Bidder's Statement, a total of 640,000 Executive Options had been issued.

Upon exercise, each Executive Option converts into one Kingsgate Share ranking equally with all existing Kingsgate Shares. Options may be exercised at any time on or after their vesting date.

Details of the Executive Options outstanding as at the date of this Bidder's Statement are as follows.

Table 12: Executive Options outstanding

No. of Options	Exercise Price	Expiry Date	Vesting Date
50,000	\$3.00	26 October 2010	26 October 2005
30,000	\$4.00	26 October 2010	50% on 1 November 2006 and 50% on 1 November 2007
80,000	\$5.00	26 October 2010	50% on 1 November 2006 and 50% on 1 November 2007
80,000	\$6.00	26 October 2010	50% on 1 November 2006 and 50% on 1 November 2007
25,000	\$3.25	1 August 2010	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
50,000	\$4.00	1 August 2010	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
100,000	\$5.00	1 August 2010	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008

No. of Options	Exercise Price	Expiry Date	Vesting Date
100,000	\$6.00	1 August 2010	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008
125,000	\$7.00	1 August 2010	50% on 1 August 2006, 25% on 1 August 2007 and 25% on 1 August 2008

Under the terms and conditions of the Executive Options, upon resignation by an Executive any Executive Options held by that Executive that have not vested at the date of termination of employment will be cancelled. Executive Options that have vested may be exercised within 3 months from the date of termination of employment. Any options not exercised within this time will lapse.

C. CEO options

As CEO of Kingsgate, Gavin Thomas was granted 2,560,000 options to acquire shares in Kingsgate with staggered vesting dates and various exercise prices.

Each of these options entitles Gavin Thomas to one Kingsgate Share upon exercise ranking equally with all existing Kingsgate Shares. The options may be exercised at any time after their vesting date.

If Gavin Thomas resigns as CEO of Kingsgate, any options that have not vested at the date of termination of employment will be cancelled. Otherwise, all options remaining unexercised as at 1 July 2010 will lapse.

Details of these options are set out in the table below.

Table 13: Options granted to Gavin Thomas, CEO

No. of Options	Exercise Price	Expiry Date	Vesting Date
180,000	\$4.00	1 July 2010	1 July 2006
180,000	\$4.00	1 July 2010	1 July 2007
140,000	\$4.00	1 July 2010	1 July 2008
180,000	\$5.00	1 July 2010	1 July 2006
180,000	\$5.00	1 July 2010	1 July 2007
140,000	\$5.00	1 July 2010	1 July 2008
180,000	\$6.00	1 July 2010	1 July 2006
180,000	\$6.00	1 July 2010	1 July 2007
140,000	\$6.00	1 July 2010	1 July 2008
360,000	\$7.00	1 July 2010	1 July 2006
360,000	\$7.00	1 July 2010	1 July 2007

No. of Options	Exercise Price	Expiry Date	Vesting Date
280,000	\$7.00	1 July 2010	1 July 2008

During his period as Acting CEO from November 2004 to 31 March 2005, Gavin Thomas also earned 60,000 options exercisable into Kingsgate Shares. The 60,000 options were issued on 7 July 2005 at an exercise price of \$2.69 to vest on the date of issue. These options may be exercised before their expiry on 1 April 2010 and entitle Gavin Thomas to one Kingsgate Share for each option exercised.

(f) Kingsgate on market buy-back

On 8 April 2005, Kingsgate announced to the ASX that it would commence an on market buy-back of Kingsgate Shares for the purpose of capital management. The maximum number of Kingsgate Shares that Kingsgate intends to buy back is 8,619,949. A total of 651,888 Kingsgate Shares have been bought back to date under the on market buy-back. Kingsgate does not intend to exercise its right to buy back Kingsgate Shares during the Offer Period.

1.12 Revolving Credit Facility

Kingsgate has in place a revolving credit facility for US\$16 million, with four participating banks. The entire facility is available as at the date of this Bidder's Statement.

1.13 Additional information regarding Kingsgate

Kingsgate has been listed in its current form on the ASX since April 1988. A substantial amount of information concerning Kingsgate has previously been notified to the ASX. Information about the Kingsgate Group (including copies of its financial statements) may also be obtained from Kingsgate's website at www.kingsgate.com.au. See also section 8.13 of this Bidder's Statement.

1.14 Overview of Bidder

Bidder is a wholly-owned subsidiary of Kingsgate. Bidder was incorporated in Australia and its principal activity is to invest in Andean Shares.

The directors of Bidder are the same as the directors of Kingsgate. Information relating to the directors of Kingsgate is set out in section 1.7.

2. Profile of Andean

2.1 Disclaimer

The information in this section 2 (other than section 2.6) concerning Andean and the Andean Group has been prepared based on a review of publicly available information (which has not been independently verified). Bidder does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The information on Andean and the Andean Group in this Bidder's Statement should not be considered comprehensive.

Further information relating to Andean's businesses or Andean's securities may be included in Andean's Target's Statement in relation to the Offer, which will be sent to you directly by Andean.

2.2 Overview of Andean

Andean is an Australian company focused on the exploration and development of the Cerro Negro Project in Patagonia, Argentina. Andean is listed on the ASX (Code: AND). As at 27 February 2006 (the trading day prior to the date of this Bidder's Statement), Andean's market capitalisation was approximately \$109 million.

Andean's major asset is its 100% owned Cerro Negro Project epithermal gold project which was acquired in January 2004 from M.I.M. Holdings Limited (*MIM*) following completion of the takeover of MIM by Xstrata Holdings Pty Ltd. The project is located in the southern Argentine province of Santa Cruz at an elevation of approximately 800m above sea level.

2.3 Publicly available information

Andean has been listed on the ASX since 1995 and is obliged to comply with the continuous disclosure requirements of the ASX. A substantial amount of information concerning Andean has previously been notified to the ASX.

The annual report for Andean for the year to 30 June 2005 was lodged with ASIC on 20 October 2005 and given to the ASX on that date. The ASX announcements made in relation to Andean between 20 October 2005 and the date of this Bidder's Statement are listed in Annexure C.

Information about the Andean Group (including copies of its financial statements) may also be obtained from Andean's website at www.Andean.com.au.

2.4 Andean securities on issue

According to the latest Appendix 3B lodged by Andean with the ASX on 15 December 2005, as at the date of this Bidder's Statement, the total number of securities on issue in each class in Andean is as follows:

Table 14: Andean Securities on Issue

Class	Number
Andean Shares	268,289,686. ²⁴
Andean Options	38,000,000 ²⁵

If the holders of all Andean Options were able to, and did, exercise those options, the total number of Andean Shares on issue would be 306,289,686

Andean Shares are quoted on the ASX and may be freely traded. Andean Options are not quoted on the ASX.

2.5 Offer extends to new Andean Shares

The Offer extends to Andean Shares that are issued or otherwise come into existence during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights attached to, Andean Options that are on issue at the Register Date.

2.6 Interests in Andean securities

(a) Bidder's relevant interest in Andean securities and voting power in Andean

As at the date of this Bidder's Statement and immediately before the first Offer was sent, Bidder:

- did not have a relevant interest in any Andean Shares; and
- did not have a relevant interest in any Andean Options.

As at the date of this Bidder's Statement and immediately before the first Offer was sent, Bidder's voting power in Andean was nil.

(b) Acquisitions of Andean Shares by Bidder or associates

Neither Bidder nor any of its associates has provided (or agreed to provide) consideration for an Andean Share under a purchase or agreement to purchase during the four months before the date of this Bidder's Statement or in the period between the date of this Bidder's Statement and the date of the Offer.

²⁴ According to the most recent ASX Appendix 3B Notice lodged by Andean on 15 December 2005.

²⁵ Based on the 34,000,000 issued Andean Options as disclosed in Andean's Quarterly Report for the quarter ended 31 December 2005 plus the 4,000,000 Andean Options approved to be issued to Mr Patrick Esnouf (an Andean Director) at the Andean Annual General Meeting on 29 November 2005.

3. Intentions of Kingsgate and Bidder

3.1 Introduction

This section 3 sets out Kingsgate's intentions in relation to:

- the continuation of the business of Andean;
- any major changes to the business of Andean and any redeployment of the fixed assets of Andean; and
- the future employment of the present employees of Andean.

Bidder's intentions are the same as Kingsgate.

These intentions are based on the information concerning Andean, its business and the general business environment which is known to Kingsgate and Bidder at the time of preparation of this Bidder's Statement, which is limited to publicly available information.

Decisions regarding these matters will only be made by Kingsgate in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section 3 are statements of current intention only, which may change as new information becomes available to Kingsgate or as circumstances change.

3.2 Intentions upon acquisition of 90% or more of Andean Shares

This section 3.2 sets out Kingsgate's current intentions if Bidder acquires relevant interests in 90% or more of Andean Shares and Bidder is entitled to proceed to compulsory acquisition of the remaining Andean Shares under the Corporations Act.

(a) Corporate matters

It is intended that Bidder would:

- proceed with compulsory acquisition of the outstanding Andean Shares (including any Andean Shares issued as a result of the exercise of Andean Options after the end of the Offer Period and in the six weeks after Bidder gives the compulsory acquisition notices) in accordance with the provisions of Chapter 6A of the Corporations Act;
- arrange for Andean to be removed from the Official List of the ASX; and
- replace all members of the Andean Board (other than Gavin Thomas) with nominees of Kingsgate. Those nominees have not yet been identified by Bidder and Kingsgate. Decisions on the selection of Kingsgate's nominees will be made in light of the circumstances at the relevant time.

Bidder may also proceed to compulsory acquisition of the Andean Options which have not been exercised and that have not lapsed, or alternatively pursue other arrangements in relation to those Andean Options (see Section 8.6).

(b) Cerro Negro Project

In respect of the Cerro Negro Project, it is Kingsgate's intention to accelerate the exploration program and bring forward the potential development of the project.

Kingsgate believes it is well placed to achieve this objective through a combination of its technical expertise and superior access to finance.

A preliminary strategy is outlined below, but the final workplan will depend on the outcomes of a detailed review of data and the current status of the project following acquisition. The initial plan is based on publicly available information about the Cerro Negro Project and the previous experience of Kingsgate management at Chatree as well as their direct experience in Argentina.

Kingsgate's key objective is to develop a project in as short a timeframe as possible with the potential to initially produce a minimum of 100,000 ounces of gold per annum at an acceptable margin.

A key priority would be to increase the number of drill rigs from one (currently) to at least three to fast-track the drill program at the Cerro Negro Project. Multi-purpose rigs would be necessary to allow reverse-circulation and diamond drilling, with at least two rigs focussed on the Vein Zone, to generate a JORC-compliant Resource and Reserve statement. Another rig would be used to commence the drilling of other prospects, such as Eureka, Bajo Negro, Mariana Sur and Herradura.

Kingsgate believes that drill rig availability and a lack of trained technical personnel have been problems for some time in Chile and Argentina. This situation would have been compounded by the strength of the current resource cycle. Kingsgate is confident that its previously established networks will assist in obtaining the additional drill rigs and accessing suitable personnel to complete the envisaged work program. Negotiations would need to occur promptly to ensure both the rigs and personnel were available to commence work in September/October 2006 after the winter break.

All current and future information obtained on the Cerro Negro Project will be compiled in a database together with new geophysical data to enable 3D modelling of the Cerro Negro Project. This approach to project evaluation has proved highly successful at Chatree.

It is envisaged that a scoping study would commence by September 2006, if not earlier, including metallurgical testing and community/social impact, environmental and infrastructure assessment. Concurrently, a JORC Resource would be completed and this would be used as a basis for a pre-feasibility study, which may be initiated by the end of 2006, or early 2007.

Engineering staff may need to be hired from early 2007 to assist with the pre-feasibility study and set the project on an appropriate path for development. Timelines would need to be established in conjunction with the geological program, the environmental plan, the local community and the provincial government departments.

The acquisition of Andean would also serve as a consolidation point for Kingsgate's South American interests and provide a base for assessing favourable exploration projects in the region.

(c) Andean employees

Kingsgate intends to combine Andean and Kingsgate corporate head office functions as well as those functions involved in setting overall planning and control of the

operations of the Merged Group. The corporate headquarters of the Merged Group would be located in Sydney and Andean's office in Perth would be closed.

Kingsgate will consider how many employees are required to manage Andean's assets within the Kingsgate Group and (having made that assessment), whether those roles should be fulfilled by Kingsgate or Andean employees. Where Kingsgate decides that those roles should be fulfilled by existing Kingsgate employees, Kingsgate will consider whether there are opportunities elsewhere in the Kingsgate Group for those Andean employees. There are likely to be redundancies of Andean employees if those opportunities are not identified.

In respect of employees located in Santa Cruz who are currently working towards the development of the Cerro Negro Project, Kingsgate expects that most of these employees will be retained.

Kingsgate is not in a position at this time to determine how many employees may be affected, nor the full nature and timing of any redundancies. Kingsgate will not be in that position until it has conducted the detailed review referred to in section 3.2(d).

(d) General operational review

Kingsgate's and Bidder's knowledge of the assets and operations of Andean is limited to publicly available information.

Accordingly, if Bidder acquires all of the Andean Shares, Kingsgate intends to conduct a thorough and broad-based general review of Andean's corporate structure, assets, businesses, personnel and operations.

While Kingsgate does not have any specific intentions in relation to this review or its outcomes, its current expectation is that the review will focus on identifying the preferred operational structure for the Merged Group, as well as relevant information with respect to the development plans for the Cerro Negro Project.

3.3 Intentions upon acquisition of less than 90% of the Andean Shares

The Offer includes a 50% minimum acceptance condition (see section 9.8(a)). It is therefore possible that Bidder will not become entitled to proceed to compulsory acquisition of the remaining Andean Shares under the Corporations Act.

This section 3.3 sets out Kingsgate's intentions if Bidder gains effective control of Andean without becoming entitled to compulsorily acquire the outstanding Andean Shares.

In those circumstances, Kingsgate's current intentions are as follows.

(a) Corporate matters

It is intended that Bidder would:

- maintain Andean's listing on ASX, subject to the requirements for listing (including a sufficient spread of investors) continuing to be satisfied (although in this event the liquidity of Andean Shares on ASX is likely to be materially diminished); and
- subject to the Corporations Act and Andean's Constitution, seek to add to, or replace, a proportion of the members of the Andean Board with nominees of Kingsgate (to reflect Kingsgate's proportionate ownership interest in Andean),

with minority shareholders represented by at least one independent director. Kingsgate and Bidder have not made any decision as to who would be nominated for appointment to the Andean Board in this case.

(b) Cerro Negro Project

Kingsgate will seek to implement the intentions set out in section 3.2(b) in respect of the Cerro Negro Project to the maximum extent possible and appropriate through its nominees on the Andean Board. However, there is no assurance that those intentions will be able to be implemented, or would deliver the same benefits for remaining Andean Shareholders, if Andean is not 100% owned by Bidder. Where implementation of Kingsgate's intentions requires Kingsgate to provide services to Andean, then Kingsgate will offer to provide those services on arm's length terms. It will be a matter for the Andean Board to decide whether to accept such offers, consistent with the governance issues described in section 3.5.

(c) Head office and head office employees

Kingsgate would seek to combine the corporate head offices of Andean and Kingsgate through its appointees to the Andean Board as part of a general operational review.

(d) General operational review

Kingsgate will seek to implement the intentions set out in section 3.2(d) to the maximum extent possible and appropriate through its nominees on the Andean Board.

(e) Further acquisition of Andean Shares

Bidder may, at some later time, acquire further Andean Shares in a manner consistent with the Corporations Act.

(f) Compulsory acquisition at a later time

If Bidder becomes entitled at some later time to exercise general compulsory acquisition rights under the Corporations Act, it may exercise those rights.

3.4 Other intentions

Other than as set out in this section 3, it is the present intention of Kingsgate to procure that Andean will:

- generally continue the business of Andean;
- not make any major changes to the business of Andean nor to redeploy any of the fixed assets of Andean; and
- continue the employment of Andean's present employees.

3.5 Governance issues

If the Offer is successful but Kingsgate does not acquire 100% of the Andean Shares, Kingsgate's nominees on the Andean Board will propose to the Andean Board that the directors who are not associated with Kingsgate should form a related party transactions committee. This committee would be delegated with authority to consider and (if approved) supervise the performance of whatever transactions may be entered into between Kingsgate and Andean, and to provide appropriate protection for the interests of Andean's minority shareholders in connection with any exchange of information between Kingsgate and Andean.

The intentions and statements of future conduct set out in this section 3 must be read as being subject to:

- the law (including the Corporations Act) and the ASX Listing Rules, including in particular the requirements of the Corporations Act and the ASX Listing Rules in relation to conflicts of interest and 'related party' transactions given that, if Bidder obtains control of Andean but does not acquire all of the Andean Shares, Bidder and Kingsgate will be treated as related parties of Andean for these purposes;
- the legal obligation of the Andean Directors at the time, including any nominees of Kingsgate, to act in good faith in the best interests of Andean and for proper purposes and to have regard to the interests of all Andean Shareholders; and
- the outcome of the reviews referred to in this section 3.

4. Consideration

The consideration for the acquisition of the Andean Shares to which the Offer relates will be satisfied by the issue of Kingsgate Shares.

Based on the number of Andean Shares on issue at the date of this Bidder's Statement (see section 2.4), the maximum number of Kingsgate Shares which would be required to be issued to Andean Shareholders who accept the Offer is approximately 17.9 million Kingsgate Shares.

In addition, if all Andean Options on issue as at the date of this Bidder's Statement (see section 2.4) convert into Andean Shares during the Offer Period, then approximately an additional 2.5 million Kingsgate Shares would be issued. If this additional number of Kingsgate Shares is to be issued, the total number of Kingsgate Shares which would be issued under the Offer is approximately 20.4 million Kingsgate Shares.

Kingsgate has entered into an agreement with Bidder under which Kingsgate has covenanted to issue the total number of Kingsgate Shares required to settle acceptances under the Offer. Kingsgate has the capacity to issue the maximum number of Kingsgate Shares which may be required to be issued under the Offer.

5. Profile of Merged Group

5.1 Rationale for the Offer

Kingsgate believes that the proposed combination of Kingsgate and Andean will deliver a number of strategic and financial benefits to the shareholders of both companies:

- (a) the acquisition of Andean provides the Merged Group with access to the Cerro Negro Project. Kingsgate believes, based on its experience at Chatree and its knowledge of other projects in South America, that the Cerro Negro Project is a high quality project which has the potential to create significant value for shareholders over time;
- (b) Kingsgate has an extensive exploration program in South America with a field force and offices in Chile, Peru and Argentina. The acquisition of a quality asset in South America will provide a focal point for the rationalisation of Andean and Kingsgate's operations in Argentina and more broadly within South America. The combination of both parties provides for the exchange of geological data and experience to date which will enhance the overall knowledge of the geological systems in these regions;
- (c) the acquisition delivers additional geographic and asset diversification which will provide shareholders with a balanced mix of production, development and exploration assets;
- (d) the acquisition will benefit from Kingsgate's ability to leverage its proven development and operational capabilities as well as its financial capacity to accelerate the exploration and potential development of the Cerro Negro Project to deliver value to shareholders in the shortest possible timeframe; and
- (e) limited pre-tax cost savings are anticipated from operational and corporate synergies.

5.2 Forecast Information on Kingsgate

Operational Forecasts

This Bidder's Statement includes forecasts of production and cash operating costs per ounce for the years ending 30 June 2006 and 30 June 2007 for Kingsgate's existing operations. The operational forecasts present, to the best of Kingsgate's knowledge and belief, Kingsgate's expected results from its operations for the forecast periods. The forecast information, which is set out in the table below, must be read in conjunction with the notes, qualifications and assumptions set out below. Kingsgate considers all of the assumptions made to be reasonable, when taken as a whole.

Forecasts are inherently speculative and subject to significant business, economic and competitive uncertainties and contingencies which may be beyond the control of Kingsgate. In addition, the forecasts are based upon estimates and assumptions with respect to future business decisions which are subject to change. As such, the operational forecast information may vary from actual results and any variation may be material. Accordingly, neither Kingsgate nor its directors can give any assurance that the operational forecast information for Kingsgate will be achieved (see also the note in relation to forward looking statements in the Important Information section at the front of this Bidder's Statement).

Table 15: Operational Forecasts

Period ending	12 months to 30 June 2006	12 months to 30 June 2007
Ounces gold produced	145,000 – 150,000	150,000 – 155,000
Cash cost/ounce	US\$200-220	US\$200-220

Note: Cash costs exclude corporate costs

Significant forecast assumptions and comments

The following is a summary of the significant assumptions used in the preparation of the operational forecasts, based on Kingsgate's judgement as at the end of January 2006, the date the forecasts were completed. This summary is not an all-inclusive list of the assumptions used in the preparation of the forecasts.

(a) Production

During the remainder of the year to 30 June 2006 and in the year to 30 June 2007, mining conditions are expected to remain consistent with those experienced in the previous 12 months. However, additional ore feed (oxide ore) is planned to be sourced from the mining of A pit at Chatree North from the end of February 2006 which will be blended with the harder ore from the main C-H pit. Gold grades are expected to average 2.4 grams per tonne in the year to 30 June 2006 and 2.3 grams per tonne in the year to 30 June 2007. The average waste to ore ratios (strip ratios) are expected to be in the order of 5:1. Mill throughput is anticipated to be in the range of 1.9-2.1 mtpa for the year to 30 June 2006 and 2.2-2.4 mtpa for the year to 30 June 2007, as the full benefit of the pebble crusher is realised. A new gravity recovery circuit is scheduled for installation in March/April 2006. This may improve gold recoveries slightly, but gold recoveries are assumed to remain constant at 90% for the duration of the forecast period.

(b) Expansion of operations at Chatree

The feasibility study into an expansion of the plant to an annualised throughput of 5 mtpa is expected to be completed by the end of the March quarter 2006. However, it is assumed that the construction will not be completed in the year to 30 June 2007 and therefore any expansion will not impact on the operational forecasts. The pebble crusher is being commissioned during the March quarter 2006, which is anticipated to increase annualised mill throughput rates to 2.35 mtpa.

(c) Exchange rates

Kingsgate has used the following exchange rate assumptions for the purposes of its operational forecasts:

Table 16: Exchange Rate Assumptions

Period ending	12 months to 30 June 2006	12 months to 30 June 2007
A\$:US\$	0.75	0.75
Baht:US\$	40	40

(d) Extension of Chatree Sell-down

It is assumed for the purposes of the operational forecasts that Kingsgate received an extension to the BOI sell-down requirement over the forecast period.

(e) Granting of Mining Leases at Chatree North

Akara, Kingsgate's wholly owned subsidiary, has applied for additional mining leases at Chatree North and permitting is well advanced, with all relevant documentation having been lodged. No incremental ore which may be sourced from areas over which mining leases are yet to be granted has been assumed in these operational forecasts.

(f) Hedging

Kingsgate has assumed that it will continue to aggressively reduce the hedging in place over its gold production in line with its hedging policy (which is set out in more detail in section 1.9). Approximately 58,000 ounces of committed gold hedges are anticipated to remain at the end of the year to 30 June 2006, which would be delivered into during the year to 30 June 2007.

As at the date of the operational forecasts, Kingsgate does not have any foreign exchange hedges in place and it does not anticipate that this will change over the forecast periods.

Capital Expenditure

Kingsgate's currently expects its capital expenditure requirements in respect of current operations to be in the order of US\$8 million for the period ending 30 June 2006 and US\$5 million for the period ending 30 June 2007. These numbers include expansions to the TSF and the mill. Approximately US\$15 million is planned across the forecast period for land access payments and relocation of villages and roads.

Once the licences for Chatree North are granted, Kingsgate intends to expand its operations to enable the processing of additional material. Kingsgate has commissioned a feasibility study which is reviewing the possibility of expanding the current mill throughput rate at the Chatree plant to 5 mtpa, with production of approximately 300,000 ounces of gold per annum. The most recent forecast for the capital expenditure required for the development of the Chatree North mine and associated processing facilities is US\$35–40 million, based on an initial scoping study in April 2005. Kingsgate will explore all options that are available to it in relation to the funding of this expansion when appropriate, including the use of cash on hand, operational cashflows, corporate or project finance facilities and equity or hybrid equity. The most appropriate funding will be a function of the market conditions prevailing at the time.

Exploration

Kingsgate maintains an active gold exploration program in a number of countries around the world including Thailand and other areas of South East Asia, South America and Australia. It currently has an exploration budget of approximately US\$11 million per annum for the year to 30 June 2006. Exploration expenditure is anticipated to remain constant in and around Chatree at approximately US\$9 million for the year to 30 June 2007.

Financial Forecasts

This document does not include forecasts or projections for revenue or profit in relation to Kingsgate. Kingsgate believes that the inclusion of financial forecasts would be unduly speculative and potentially misleading for Andean Shareholders, particularly due to the effect that variations in the price of gold and exchange rates may have on future earnings performance.

There is also uncertainty in forecasting earnings under AIFRS due to the accounting treatment required for those financial instruments which do not meet the accounting definition of effective hedge instruments. Hedging instruments are marked to market and the resulting adjustment for those instruments regarded as ineffective is recorded against earnings. The adjustment is largely a consequence of the difference in the current gold price compared with the contracted price in the financial instrument.

The underlying profitability of Kingsgate is also impacted by numerous factors including the mine head grade, the level of Reserves and Resources and the Reserve cut off grade at each reporting period, which in turn impacts the rate of depreciation and amortisation. The extent of the wet season also impacts the mining operations and therefore the level of gold and silver production. These factors are outside the control of Kingsgate and may therefore lead to unreliable and potentially misleading forecasts.

Kingsgate is also not in a position to provide forecast information for the operations of Andean or the Merged Group, following completion of the acquisition of Andean. Whilst Kingsgate has undertaken due diligence based on publicly available information, and outlined its initial plans for the future development of the Cerro Negro Project in section 3.2(b), these plans are dependent upon it undertaking an operational review of Andean as outlined in section 3.2(d), following a successful conclusion of the Offer.

5.3 Effect of acquisition on Kingsgate

(a) General effect of acquisition

A successful acquisition of Andean will further diversify Kingsgate's portfolio of assets and materially increase its exposure to South America. As Andean is primarily an exploration company with no cashflow producing assets or development properties, the acquisition of Andean by Kingsgate is not expected to have a significant impact on the cashflows or earnings of Kingsgate in the short term. The primary impact will be the costs associated with Kingsgate assuming responsibility for the existing and future exploration expenditures required to assess the feasibility of the Cerro Negro Project.

(b) Effect of acquisition on Kingsgate's capital structure

If the Offer was accepted by all holders of Andean Shares on issue as at the date of this Bidder's Statement, Kingsgate would have 103.7 million fully paid ordinary shares of which 17.9 million (representing approximately 17% of the total fully paid ordinary shares on issue following 100% acceptance of the Offer) would represent shares issued to accepting Andean Shareholders.

Further, if all holders of Andean Options were to exercise their options and subsequently accept the Offer for their Andean Shares, Kingsgate would have 106.2 million fully paid ordinary shares of which 20.4 million (representing approximately 19% of the total fully paid ordinary shares on issue following 100% acceptance of the Offer) would represent shares issued to accepting Andean Shareholders.

(c) Effect of acquisition on Kingsgate's earnings per share (EPS) and dividends per share (DPS)

As Andean does not currently have any significant cashflow-producing assets, it is not expected to contribute earnings to the Merged Group in the near term. As a result, if the Offer is accepted by all holders of Andean Shares on issue as at the date of this

document, the near term EPS and DPS for current Kingsgate shareholders will be diluted by approximately 17%.

Further, if all holders of Andean Options were to exercise their Andean Options and subsequently accept the Offer for their Andean Shares, the near term EPS and DPS for current Kingsgate shareholders would be diluted by an additional 2% approximately.

5.4 Profile of the Merged Group

(a) Production and Reserves

The Merged Group will not have a materially different production or Reserve position from Kingsgate following the successful acquisition of Andean by Kingsgate, as Andean does not currently report any JORC compliant Reserves or Resources or hold any gold producing assets.

(b) Exploration and Development

The Merged Group will have a significant exploration and development profile with several gold projects, or investments in vehicles with gold projects, in its portfolio of assets. The following Table sets out certain information with respect to the Merged Group's interests in development projects assuming the acquisition of 100% of Andean.

Table 17: Merged Group Development Projects

Project	Location	% Ownership
Chatree	Thailand, Asia	100%
Chatree North	Thailand, Asia	100%
Cerro Negro Project	Argentina, South America	100%
Walhalla Gold Project	Australia	19.72% through shareholding in Goldstar Resources NL ²⁶
Exploration tenements	South America	Varied

(c) Financial Capability and Flexibility

Following the successful acquisition of Andean by Kingsgate:

- (i) based on the pro forma balance sheet and the assumptions detailed in section 5.6, the Merged Group would have no debt and had cash assets of \$25.4 million as at 31 December 2005;
- (ii) the Merged Group will benefit from the free cashflow generated by Kingsgate's low cash cost operation at Chatree; and
- (iii) the size of the Merged Group will provide greater leverage to access capital markets to fund future initiatives of the Merged Group.

(d) Leverage to Gold Price and Foreign Exchange Hedging

²⁶ This percentage may change as a result of the capital raising announced by Goldstar Resources NL on 27 February 2006.

The Merged Group will have significant leverage to movements in the gold price. The Merged Group's hedging profile will be equivalent to that of Kingsgate's as set out in section 1.9.

However, should the circumstances under which the Merged Group operates change, then changes to the Merged Group's hedging profile may be considered.

(e) Board of Directors and Management

The Board of Directors and Management of the Merged Group would remain the same as Kingsgate's existing Board of Directors and Management. It is Kingsgate's intention (as discussed in section 3 above) that all members of the Andean Board (other than Gavin Thomas) would be replaced with nominees of Kingsgate upon a successful acquisition of Andean by Kingsgate. Those nominees have not yet been identified by Bidder and Kingsgate. Decisions on the selection of Kingsgate's nominees will be made in light of the circumstances at the relevant time.

(f) Market Presence

The Merged Group will have increased capital market scale, with an expected equity value in excess of \$600 million.²⁷ The Merged Group is expected to continue to be a member of the S&P/ASX 200 index.

5.5 Impact on the financial position of Kingsgate

This section provides an overview of the effects of the transaction on Kingsgate including the unaudited pro-forma consolidated balance sheets in respect of Kingsgate, Andean and the consolidated Kingsgate Group (which assumes that Kingsgate acquires all Andean shares) after completion of the transaction (referred to as the ***Post-Completion Kingsgate Group Pro-forma***).

This section also sets out information regarding:

- general assumptions underlying the preparation of the Post-Completion Kingsgate Group Pro-forma; and
- other relevant accounting considerations.

The financial information is provided for illustrative purposes only and has been prepared on an abbreviated basis. It does not contain all the disclosures usually provided in an Annual Report in accordance with the Corporations Act.

5.6 Post-Completion Kingsgate Group Pro-forma

Basis of preparation

The pro forma balance sheet has been prepared by aggregating Kingsgate's balance sheet, extracted from the Half-Year Financial Report for the six months to 31 December 2005 and Andean's balance sheet, extracted from the Annual Financial Report for the year to 30 June 2005, adjusted for material post 30 June 2005 transactions and for the conversion from AGAAP to AIFRS. There were no material post 31 December 2005 transactions for

²⁷ Based on the closing price of Kingsgate Shares on 21 February 2006 of \$5.87 and assuming Kingsgate acquires 100% of Andean Shares.

Kingsgate. A number of pro-forma adjustments have been made to reflect the acquisition and the related transaction costs as set out in the notes to the table below.

Set out in Part A of Annexure E to this Bidder's Statement are the major accounting policy changes for Kingsgate to change from AGAAP to AIFRS.

Set out in Part B of Annexure E to this Bidder's Statement is a reconciliation between the audited Annual Financial Report of Andean at 30 June 2005 and the pro-forma consolidated balance sheet of Andean.

The Post-Completion Kingsgate Group Pro-forma balance sheet as at 31 December 2005 assumes the acquisition of Andean by Kingsgate had been completed at that date. The actual date of the acquisition will be at a later date. In accordance with the requirements of Australian Accounting Standard AASB 3 "Business Combinations", the identifiable net assets of an entity must be measured at their fair value as at the date of acquisition of that entity. Accordingly, Kingsgate will assess the fair value of identifiable net assets of Andean on completion of the acquisition and, as a consequence, determine the value of mining tenements on consolidation, being the difference between the acquisition consideration and the assessed fair value of identifiable net assets at the acquisition date.

Post Completion Kingsgate Group Pro-forma

The following table sets out the pro-forma consolidated Balance Sheet of the Consolidated Post Completion Kingsgate Group. It is based on the assumption that Kingsgate acquires 100% of Andean:

Table 18: Post Completion Kingsgate Group Balance Sheet

	Kingsgate AIFRS Dec 2005 A\$'000	Andean Pro-forma 2005 A\$'000	Adjustments for Scrip Offer 2005 A\$'000	Consolidated Post Completion Kingsgate Group Pro-forma 2005 A\$'000
CURRENT ASSETS				
Cash assets	16,738	11,007	(2,300)	25,445
Receivables	4,152	346	-	4,498
Inventories	9,018	-	-	9,018
Other assets	1,961	-	-	1,961
TOTAL CURRENT ASSETS	31,869	11,353	(2,300)	40,922
NON-CURRENT ASSETS				
Mine property, plant and equipment	104,311	6,808	148,649	259,768
Available-for-sale financial assets	5,112	-	-	5,112
Other assets	202	-	-	202
TOTAL NON-CURRENT ASSETS	109,625	6,808	148,649	265,082
TOTAL ASSETS	141,494	18,161	146,349	306,004
CURRENT LIABILITIES				
Payables	5,283	-	-	5,283
Provisions	1,244	-	-	1,244
Derivative financial instruments	19,845	-	-	19,845
TOTAL CURRENT LIABILITIES	26,372	-	-	26,372
NON-CURRENT LIABILITIES				
Payables	-	2	-	2
Provisions	3,042	52	-	3,094
Deferred tax liabilities	-	-	44,595	44,595
Derivative financial instruments	13,356	-	-	13,356
TOTAL NON-CURRENT LIABILITIES	16,398	54	44,595	61,047
TOTAL LIABILITIES	42,770	54	44,595	87,419
NET ASSETS	98,724	18,107	101,754	218,585
EQUITY				
Total Shareholders equity	98,724	18,107	101,754	218,585

If Kingsgate acquires control of Andean, but obtains less than 100% ownership, the total net assets for the Consolidated Post Completion Kingsgate Group will not change, however an amount will be attributable to "Minority interest" based on the percentage of Andean not owned by Kingsgate. The Minority interest will be determined by multiplying the percentage of Andean owned by those other Andean Shareholders by the fair net asset value of Andean, as determined by Kingsgate. The equity attributable to Kingsgate Shareholders will be reduced by the amount of the Minority interest.

Pro-forma adjustments

The pro-forma adjustments made to the pro-forma consolidated balance sheet above are detailed below.

Increase in Shareholders equity

Shareholders' equity will increase through the issue of Kingsgate Shares through the 1 for 15 scrip for scrip offer. Based on a fully-diluted share capital of Andean of 306,289,686²⁸ shares (including the exercise of all outstanding options), 20,419,312 new Kingsgate Shares will be issued. Based on a share price of \$5.87 as at 21 February 2006, issued share capital will increase by \$119,861,361. Andean's existing total shareholders equity is \$18,107,000 based on the Andean Pro-forma, resulting in a pro-forma adjustment of \$101,754,361 to equity.

The fair value of the acquisition consideration has been based on the assumption that all shareholders of Andean will accept the Offer and the market value of a Kingsgate Share remains at \$5.87 throughout the acceptance period. The actual acquisition consideration will be based on the market value of Kingsgate Shares, at the date of each exchange, as Andean Shareholders accept the Offer, plus any costs directly attributable to the acquisition, which will be different to the position disclosed in the Pro-forma.

The value of shares issued by Kingsgate in exchange for Andean Shares will be recorded in Kingsgate's financial statements as an investment in Andean.

Reduction in cash

Pro-forma adjustments have been made to reflect the estimated transaction costs related to the acquisition. Kingsgate has contracted with advisors and some fees are subject to variation depending on the outcome of the transaction. Assuming the transaction is successful, the transaction fees are estimated to be \$2.3 million.

Adjustment relating to the fair value of Andean's assets and liabilities acquired

The pro-forma consolidated balance sheet is based on the assumption that the fair value of the assets and liabilities of Andean (other than mining tenements) are equal to their book value. Assuming the fair value of Andean's assets and liabilities equal their book value, and there being no goodwill attributable to the acquisition given the nature of the Andean assets and business, the fair value of mining tenements arising from the acquisition of Andean is

²⁸ Based on the number of Andean Shares disclosed in the most recent ASX Appendix 3B Notice lodged by Andean on 15 December 2005 and the 34,000,000 issued Andean Options as disclosed in Andean's Quarterly Report for the quarter ended 31 December 2005 plus the 4,000,000 Andean Options approved to be issued to Mr Patrick Esnouf (an Andean Director) at the Andean Annual General Meeting on 29 November 2005.

considered to be the difference between the acquisition consideration and investment costs and the assessed fair value of the other identifiable net assets of Andean at the acquisition date. Therefore prior to any tax adjustments, the adjustment required to record the fair value of mining tenements is \$104,054,361 (being \$119,861,361 issued capital plus \$2,300,000 acquisition costs less \$18,107,000 other identifiable net assets).

There is a requirement to recognise the deferred tax position due to the difference between the accounting and tax values of assets and liabilities. As a result of the acquisition, the fair value of mining rights is further increased by the value of the deferred tax liabilities recognised in relation to the initial fair value adjustment for mining rights of \$104,054,361. The additional fair value adjustment required for mining rights is \$44,594,726.

This results in a total adjustment for mining rights of \$148,649,087.

Kingsgate will allocate the fair value of the mining rights across the identified mining tenements following a detailed assessment of the information in relation to the various mining tenements which will be undertaken subsequent to the acquisition and assumption of management control. The value of mining rights will be allocated to specific areas within the Cerro Negro Project.

The capitalised amount allocated to mining rights will have the following impacts on the future profits on the Consolidated Post Completion Kingsgate Group. The accounting treatment applied to each area within the Cerro Negro Project will be determined by the results of further exploration in relation to that area.

If an area moves into production, the capitalised costs allocated to that area will be amortised on a unit of production basis such that the capitalised cost is written off over the period of economic production for that area.

If it is determined that an area is not economic and the area is abandoned, any capitalised costs allocated to that area will be written off immediately. If it is determined that the Resource for an area does not support the carrying value of the capitalised costs for that area, the Directors will need to make an assessment of the fair value of that area and an amount will need to be written off so that the area is not recorded in excess of its fair value.

If a decision is made to on-sell an area, the carrying value of that area will need to be written down to the recoverable amount, being the sale value of the area.

In accordance with the requirements of AASB 3 "Business Combinations", these values are subject to change following a detailed assessment of the fair values by Kingsgate Directors which will be undertaken subsequent to the acquisition and assumption of management control.

AASB 3 "Business Combinations" requires the recognition of the fair value of contingent liabilities. The fair value of a contingent liability is determined as the amount that a third party would charge to assume those contingent liabilities. Based on the information available to Kingsgate, it is not possible to determine the fair value of any contingent liabilities of Andean. A detailed assessment of the fair value of any contingent liabilities of Andean, by Kingsgate Directors, will be undertaken subsequent to the acquisition and assumption of management control. The recognition of any fair value for possible contingent liabilities of Andean would lead to an increase in the value of mining tenements on consolidation.

Deferred tax liabilities

As part of the acquisition accounting required, Kingsgate is required to take into account deferred tax positions as a result of the acquisition of Andean. As the fair value adjustment for mining rights gives rise to a differing treatment for accounting and tax purposes a deferred tax liability is required to be recorded. Based on a fair value adjustment of \$104,054,361 for mining rights, the fair value of the deferred tax liabilities is \$44,594,726. As a result of the increased deferred tax liability, the fair value of mining rights is further adjusted by this amount. This amount will reduce the tax charge as the underlying mining rights are consumed.

Other tax items

The pro-forma consolidated balance sheet does not include any adjustment to reflect the tax effect of tax losses that are available to Andean. The actual level of losses available to Kingsgate will depend on the Post Completion Kingsgate Group being able to satisfy tax loss recoupment provisions of the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997.

Impact of AIFRS

For reporting periods beginning after 1 July 2005, the Post Completion Kingsgate Group will be required to comply with AIFRS. The Post Completion Kingsgate Group will present actual results for the year ending 30 June 2006 under AIFRS.

Further information in respect of the impact of AIFRS on Kingsgate and Andean is included in Annexure E to this Bidder's Statement.

Consistency of Accounting Policies

From the Andean information which is publicly available, it appears that the accounting policies of Andean are largely consistent with those of Kingsgate.

6. Australian Tax Considerations

6.1 Introduction

The following is a general description of the Australian taxation consequences of accepting the Offer based on Australian law in effect as at the date of the Offer. The description is only relevant to those Andean Shareholders who hold their Andean Shares on capital account for the purposes of investment. However, if you hold Andean Shares on revenue account, you should note that the scrip for scrip rollover relief discussed below will not be available to you.

The following discussion is of a general nature only and does not consider the position of particular shareholders. You should consult your own tax advisor about the tax consequences of accepting the Offer that will apply to your individual circumstances. Persons who acquired their Andean Shares in respect of their employment with Andean (or an associated company) may be subject to a different tax treatment under the tax rules concerning shares acquired under employee share schemes. Andean Shareholders who are not resident in Australia for tax purposes will need to consult their tax advisors in the jurisdiction in which they are resident for tax purposes concerning the tax consequences in that jurisdiction of them accepting the Offer.

Shareholders should note that Australia is in the process of major taxation reform. There is considerable uncertainty as to the ultimate impact of this reform, which means that there is a degree of uncertainty surrounding the taxation-related sections of this Bidder's Statement. In this section 6, consideration has been given to legislation currently in force and the possible impact of other taxation reform that has been announced by the Federal Government but not yet enacted. It is possible that new legislation may come into force that affects the comments in this section.

Shareholders should also note that this section 6 is based on current taxation law and practice that may be subject to change. The discussion contained in this section is not a complete or authoritative statement of the law. Shareholders should consult a suitably qualified taxation adviser in relation to the taxation consequences for them of the proposed takeover.

6.2 Taxation consequences of accepting the Offer

References in the following discussion to the market value of Kingsgate Shares that you receive as a result of accepting the Offer are to their market value at the date you accept the Offer (if the Offer is then unconditional) or the date that the Offer subsequently becomes unconditional. As Kingsgate Shares are quoted on the ASX, their market value on a particular date should be easily ascertainable.

(a) Andean Shareholders that are tax resident in Australia

Acceptance of Offer and disposal of Andean Shares

Acceptance of the Offer will involve the disposal by Andean Shareholders of their Andean Shares, by way of transfer to Bidder. This change in ownership of the Andean Shares will constitute a CGT event for Australian CGT purposes (but see below for a description of rollover relief).

An Australian resident Andean Shareholder may make a capital gain or capital loss on the transfer of its Andean Shares, depending on whether its capital proceeds from the

disposal are more than the cost base (or in some cases indexed cost base) of its Andean Shares, or whether those capital proceeds are less than the reduced cost base of its Andean Shares.

The "capital proceeds" of the CGT event will be the market value of the Kingsgate Shares received by the Andean Shareholder in respect of the disposal of its Andean Shares pursuant to the Offer.

The cost base of the Andean Shares is generally their cost of acquisition. Certain other amounts associated with acquisition and disposal (such as brokerage or stamp duty) may be added to the cost base.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain. If so, that net capital gain is included in assessable income and is subject to income tax. However, a 'CGT Discount' may be available to reduce the taxable gain for certain Andean Shareholders (see further below).

Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to be offset against future capital gains, subject to the satisfaction of any necessary tax loss recoupment tests.

In general, if an Andean Share has been held for less than 12 months before disposal, the capital gain or loss is calculated on the difference between the capital proceeds and the cost base for the share.

Indexation and discounting

If an Andean Share has been held for 12 months or more before disposal, the capital gain or loss will be calculated using one of the methods described below.

- If the Andean Share was acquired *at or before* 11.45 am on 21 September 1999, the capital gain or loss is generally calculated on the difference between the capital proceeds and the cost base for the share, which may be indexed for inflation up to 30 September 1999. However, if the Andean Share is held by an individual, complying superannuation entity, trust or certain other specified entities, that Andean Shareholder must make an election if they wish to rely on indexation. Andean Shareholders who elect to use indexation are not entitled to claim a 'CGT Discount' (as discussed below).
- If the Andean Share was acquired *after* 11.45 am on 21 September 1999, the capital gain or loss is generally calculated on the difference between the capital proceeds and the cost base for the share, with no indexation. If such shares are held by an individual, a complying superannuation entity, trust or certain other specified entities for 12 months or more before disposal, those shareholders may also be able to claim a 'CGT Discount' (as discussed below).

If an Andean Shareholder is an individual, complying superannuation entity, trust or certain other specified entities and has held its Andean Shares for 12 months or more before disposal, the Andean Shareholder will be entitled to a 'CGT Discount' for Andean Shares disposed of under the Offer (provided that if the Andean Shares were acquired *at or before* 11.45 am on 21 September 1999 the Andean Shareholder has

not elected to use indexation of their cost base, as described above). The 'CGT Discount' entitles such Andean Shareholders to reduce their capital gain on those Andean Shares (after deducting available capital losses of the shareholder) by 50% (for individuals holding shares directly, or indirectly through a trust) or 33.3% (for complying superannuation funds and certain other specified entities). However, trustees should seek specific advice regarding the tax consequences of distributions attributable to discounted capital gains.

The 'CGT Discount' is not available to companies, nor does it apply to Andean Shares held for less than 12 months. Special rules apply to determine if shares have been held for the requisite period. Andean Shareholders should seek their own advice on this.

Rollover relief

If, as a result of the Offer, Bidder owns 80% or more of the Andean Shares, Andean Shareholders who would make an Australian capital gain from their disposal of Andean Shares may elect a rollover under which that capital gain will be disregarded and effectively deferred until they dispose of any Kingsgate Shares which they acquire under the Offer. Bidder will advise Andean Shareholders if and when it acquires 80% of the voting shares in Andean.

The effect of choosing rollover relief is that an Andean Shareholder can:

- defer the capital gain made on the disposal of its Andean Shares until the Andean Shareholder disposes of any Kingsgate Shares which it acquires under the Offer; and
- retain its cost base in Andean Shares as the cost base in its replacement Kingsgate Shares. An Andean Shareholder's total cost base in the replacement Kingsgate Shares is equal to the total cost base it has in its Andean Shares.

If an Andean Shareholder realises a capital loss from accepting the Offer, rollover relief will not be available to that Andean Shareholder. Capital losses can only be offset against capital gains realised by the Andean Shareholder in the same year of income or in subsequent years of income, subject to the satisfaction of any necessary tax loss recoupment tests.

(b) Andean Shareholders that are not tax resident in Australia

An Andean Shareholder not tax resident in Australia will only be subject to Australian CGT in respect of any capital gain it realises upon accepting the Offer if that Andean Shareholder, together with any of its associates, beneficially owned at least 10% of the issued Andean Shares at any time during the 5 years preceding the time when that Andean Shareholder accepted the Offer. Even if this was the case, that Andean Shareholder may be able to claim relief from Australian taxation under a double tax treaty (if applicable).

If an Andean Shareholder not tax resident in Australia is subject to Australian tax as a result of accepting the Offer, subject to the conditions discussed in 6.2(a) above being satisfied, the Andean Shareholder can choose rollover relief to apply to its taxable gain or, alternatively, claim the CGT discount as discussed under 6.2(a) above.

6.3 Stamp duty and GST

Andean Shareholders who accept the Offer will not be required to pay any stamp duty or GST on the disposal of their Andean Shares under the Offer, on the acquisition of Kingsgate Shares under the Offer or on a subsequent disposal of Kingsgate Shares.

6.4 Taxation consequences of owning Kingsgate Shares

The Australian taxation consequences of owning Kingsgate Shares will be similar to those that flow from owning Andean Shares, depending upon the extent to which dividends paid by Kingsgate are franked. Australian resident shareholders must include dividends in their assessable income and, to the extent that those dividends are franked, must include in their assessable income an additional amount equivalent to the underlying franking credit. Shareholders are, however, entitled to a rebate of tax equal to the amount of that franking credit.

Individuals and other qualifying taxpayers to whom dividends and the associated imputation credits are paid and who are entitled to a franking rebate may be entitled to a refund of these credits after offsetting them against their income tax liability.

Measures exist which in certain circumstances must be satisfied to obtain the benefit of imputation in relation to dividends. One of these measures broadly provides that the shareholder may not obtain the benefit of imputation credits in respect of franked dividends received where the relevant shares are not held at risk for more than 45 days ("the holding period rule"). While these measures will only apply in limited circumstances, the measures are complex and shareholders should seek their own advice as to how these measures will affect them.

Non-resident shareholders will be exempt from Australian withholding tax in respect of dividends paid by Kingsgate to the extent that those dividends are franked. If those dividends are not franked, non-resident shareholders will be subject to dividend withholding tax at the rate of either 30% or, in the case of non-resident shareholders who are entitled to the benefit of a reduced rate of dividend withholding tax under an applicable double tax treaty, that reduced rate, which in most cases is 15%. In certain circumstances, non-resident shareholders may be exempt from Australian dividend withholding tax in respect of unfranked dividends paid by Kingsgate, to the extent such dividends are paid out of profits comprising of dividends received by Kingsgate from its foreign subsidiaries and certain foreign investments.

Kingsgate Shareholders that are residents of Australia must generally notify Kingsgate of their Australian tax file number. Kingsgate will be required to deduct tax at the highest marginal rate (currently 48.5%) from any dividends paid to Australian resident Kingsgate Shareholders that have not provided their tax file number.

7. Investment Risks

7.1 Introduction

Andean Shareholders who accept the Offer (other than Foreign Andean Shareholders) will become shareholders in Kingsgate. It is therefore important that they are aware of risks that may have an adverse impact on the financial performance and operations of the Merged Group and the value of Kingsgate Shares and any future dividends that may be paid by Kingsgate, including those that:

- apply to investments generally;
- apply, and will continue to apply, specifically to the business of the Andean Group;
- apply, and will continue to apply, specifically to the business of the Kingsgate Group; and
- arise, or may arise, from a combination of the Kingsgate Group and the Andean Group.

Some of the specific risks can be mitigated by the use of safeguards and appropriate controls whilst others are likely to remain outside the control of Kingsgate and the Merged Group. Many of these factors also affect the businesses of other companies operating in the same industry.

Andean Shareholders should consider carefully the risks set out below and the other information contained in this Bidder's Statement.

7.2 Risks related to Offer

- (a) *Market fluctuations may reduce the market value of the consideration offered to you because the exchange ratio contemplated by the Offer is fixed.*

The consideration for the Offer consists of a specified number of Kingsgate Shares, rather than a number of Kingsgate Shares with a specified market value. The market value of Kingsgate Shares will be affected by market conditions generally, developments in relation to risks which Kingsgate shares with other gold mining companies (see section 7.3) and risks specific to the Merged Group (see section 7.4). Therefore, the value of the Offer will fluctuate depending upon the market value of Kingsgate Shares. Accordingly, the market value of Kingsgate Shares at the time you receive them may vary from their market value on the date of your acceptance of the Offer. Before accepting the Offer, Andean Shareholders should obtain current quotes for Kingsgate Shares and Andean Shares from their stockbroker or other financial adviser.

- (b) *CGT Rollover Relief may not be available as Kingsgate may fail to acquire 80% of Andean Shares.*

If, after the Offer, Kingsgate does not hold 80% or more of Andean Shares, Andean Shareholders who are Australian residents for income tax purposes and who would make a capital gain from their disposal of Andean Shares will be unable to elect for a rollover of that capital gain resulting in a capital gain crystallising at the time of the sale

of Andean Shares. Scrip for scrip rollover relief for capital gains is discussed further in section 6.2.

- (c) *The full benefits of acquiring the Cerro Negro Project may not be achieved if Kingsgate cannot compulsorily acquire all of the outstanding Andean Shares.*

To effect compulsory acquisition of all outstanding Andean Shares under the Corporations Act, Bidder is required to have, together with any associates, a relevant interest in at least 90% (by number) of all Andean Shares during, or at the end of, the Offer Period. At the end of the Offer Period, Bidder may not hold a sufficient number of Andean Shares in order to effect the compulsory acquisition of the remaining Andean Shares. This could prevent or significantly delay Kingsgate from realising some or all of the anticipated benefits from Kingsgate being able to control the future exploration and development of the Cerro Negro Project.

- (d) *Kingsgate has not verified the reliability of the Andean information included in, or which may have been omitted from, this Bidder's Statement.*

In respect of information relating to Andean presented in, or omitted from, this Bidder's Statement, including all Andean financial information, Kingsgate has relied upon publicly available information. As only limited due diligence was able to be carried out on Andean from certain public databases, risks may exist of which Kingsgate is unaware.

- (e) *If change of control provisions exist in Andean's agreements which are triggered upon the acquisition of control of Andean, this may have adverse consequences for the Bidder.*

Bidder is not aware of any pre-emptive rights or change of control provisions affecting Andean's assets or agreements that would be triggered by Kingsgate obtaining control of Andean. However, Andean may be a party to agreements that contain pre-emptive rights or change of control provisions that may be triggered if Bidder acquires Andean Shares representing a majority of the voting rights of Andean. The operation of these change of control provisions, if triggered, could have negative consequences including requiring Andean to dispose of assets. If these provisions may be waived with the consent of the other party, Kingsgate would consider seeking such waivers if it discovered that pre-emptive rights or change of control provisions affecting Andean's assets or agreements would be triggered upon Kingsgate obtaining control of Andean. The condition in section 9.8(h) is likely to be breached by the existence of any such rights, but Bidder retains a discretion to waive that condition. If the condition is waived and waivers of such rights cannot be obtained, then this could adversely effect the profile of the Merged Group.

7.3 Risks related to mining industry generally

- (a) *Gold price volatility*

The earnings of Kingsgate are derived primarily from gold mining and hence are extremely dependent on the price of gold, which can fluctuate over a broad range. The price of gold is affected by numerous factors beyond Kingsgate's control. Factors tending to affect the price of gold include:

- level of sales or leasing of gold by governments and central banks;

-
- expectations of the rate of inflation;
 - the relative exchange rate of the US dollar with other major currencies;
 - political conditions;
 - speculative trading;
 - demand and supply fundamentals for gold; and
 - level of sales by gold producers in forward transactions and other hedging.

The effect of these factors, individually or in aggregate, on the price of gold is impossible to predict with accuracy. Fluctuations in gold prices may adversely affect Kingsgate's financial performance or results of operations. Further, if the market price of gold falls, profitability and cashflow will be affected and Kingsgate may experience losses, asset write-downs and may curtail or suspend some or all of its exploration, development and mining activities.

(b) Kingsgate needs to continually obtain additional Reserves for gold production.

Kingsgate must continually replace Reserves depleted by production in order to be able to maintain and grow its current production into the future. Replacing Reserves requires performing work necessary to reclassify Resources to Reserves, expanding known orebodies or locating new deposits.

Success in exploration for gold is uncertain and there is a risk that future depletion of Reserves will not be offset by discoveries. As a result, the Reserve base of the Merged Group may decline as gold is produced without adequate replacement.

(c) Uncertainty of Reserve and Resource estimates.

Reserve and Resource estimates are imprecise and depend partly on statistical inferences drawn from drilling and other data, which may prove to be unreliable. Further, production could differ from Reserve estimates for the following reasons:

- mineralisation or formation could be different from those predicted by drilling, sampling and similar examination;
- declines in the market price of gold may render the mining of some or all of Kingsgate's Reserves uneconomic;
- increases in mining costs and processing costs could adversely affect Reserves; and
- the grade of Reserves may vary significantly and there can be no assurance that any particular amount of gold may be recovered from the Reserves.

Any of these factors may require Kingsgate to reduce its Reserve and Resource estimates. Short-term factors, such as the processing of ore with variable gold grades, may also impact Kingsgate's profitability.

(d) Increased costs could affect profitability.

The cash cost of production at any particular mining location is frequently subjected to variation from one year to the next due to a number of factors, such as changing waste-to-ore ratios, ore grade, metallurgy and the cost of supplies (for example, electricity and fuel).

(e) *Mining risks.*

The business of gold mining involves many risks and hazards, including mining or processing issues, environmental hazards, industrial accidents, labour forced disruption, the unavailability of materials and equipment, unusual or unexpected rock formations, pit slope failures, changes in the regulatory environment and weather conditions. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. As a result, Kingsgate may incur costs that could have a material adverse effect upon its financial performance, liquidity and results of operations.

(f) *Risks associated with the use of hedging instruments.*

If the gold price is above the price at which future production has been committed under Kingsgate's hedge instruments, Kingsgate will have an opportunity loss. However, if the gold price is below that committed price, revenues will be protected to the extent that production is covered by the hedging instrument. In addition, Kingsgate could be exposed to liability if a counterparty to a hedge or forward sale contract defaults on its primary obligations under the instrument. Further detail on Kingsgate's current hedging position is contained in section 1.9.

(g) *Currency fluctuations may impact Kingsgate's costs.*

Currency fluctuations may affect the costs that Kingsgate incurs at its operations. Gold is sold throughout the world based primarily on the US dollar price, but a portion of Kingsgate's operating expenses are incurred in local currencies. The appreciation of non-US dollar currencies against the US dollar can increase the costs of gold production in US dollar terms. Conversely, a depreciation of non-US dollar currencies will decrease the cost of production in those currencies.

(h) *Environmental risks.*

Kingsgate's activities in Thailand are subject to rules and regulations governing environmental protection and employee health and safety. Kingsgate and its subsidiaries are required to obtain governmental permits and provide other bonding requirements under air, water quality and mine reclamation rules and permits. Although Kingsgate makes provisions for reclamation costs, it cannot be assured that these provisions will be adequate to discharge its obligations for these costs.

Failure to comply with environmental and health and safety laws can result in injunctions, damages, suspension or revocation of permits and imposition of penalties. There can be no assurance that Kingsgate and its subsidiaries have been or will be at all times in complete compliance with such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not adversely affect Kingsgate's business, results of operations or financial condition. Kingsgate could also be held responsible for the costs to address contamination at current or former facilities or third party sites.

Environmental laws and regulations are complex and have tended to become more stringent over time. Any changes in such law or in the environmental conditions at Kingsgate's mines could have a material adverse effect on Kingsgate's financial condition, liquidity or results of operations. Kingsgate is not able to determine the

impact of future changes in environmental laws and regulations on its future financial position due to the uncertainties surrounding the ultimate form that such changes may take.

Kingsgate has attempted to mitigate this risk by putting in place an environmental management policy, which is the subject of regular review. Regular independent audits are carried out to ensure compliance with various environmental controls, legislation and government requirements that it is subject to. Such audits seek to identify issues which may give rise to future concerns and act as an early warning system for preventative action.

7.4 Specific risks affecting the Merged Group

In addition to the risks related to the mining industry generally, Kingsgate's operations are also subject to the following risks specific to it:

(a) *Political and country risk*

Kingsgate conducts operations in a number of foreign countries. These operations are potentially subject to a number of political, economic and other risks, including:

- cancellation or renegotiation of contract;
- royalty and tax increases or claims by governmental entities;
- ex-appropriation or nationalisation of property (although specifically excluded in current BOI rules for the Chatree gold mine);
- currency fluctuations;
- foreign exchange controls;
- restrictions on the ability of local operating companies to sell gold offshore for US dollars, and on the ability of such companies to hold US dollars or other foreign currencies in offshore bank accounts;
- import and export regulations, including restrictions on the export of gold;
- restrictions on the ability to pay dividends offshore;
- environmental controls;
- risks of loss due to civil strife, acts of war, insurrection and terrorism; and
- other risks arising out of foreign sovereignty of the areas in which Kingsgate's operations are conducted.

Under the exemption granted to Kingsgate's subsidiary company, Akara, to operate in Thailand, a majority interest in the Chatree operation must be owned by Thai nationals within five years of commencing production (subject to any extension which may be granted). The Free Trade Agreement between Australia and Thailand permits Australian companies to own up to 60% of Thai mining ventures. Kingsgate is considering the implications of this in the context of the current Thailand BOI approval and is hopeful that the higher ownership level will be available. The final structure to be adopted to meet this sell-down requirement will be based on generating the maximum financial return to Kingsgate. However, there is a risk that this divestment requirement, which must be satisfied by November 2006 unless extended or varied, could have a

material adverse effect on Kingsgate's financial condition, value or the future operation of the Chatree mine if fair market value is not received by Kingsgate for the interest in the Chatree gold mine which it is required to divest. For further information in relation to the sell down requirement, see section 1.6.

Similar political risk factors could also impact on the value of Kingsgate's exploration properties elsewhere in the world.

- (b) *Kingsgate's business depends on good relations with its employees and the local community.*

The Merged Group is exposed to the risk of labour disputes, work stoppages or other disruptions in production that could adversely affect the Merged Group.

- (c) *Uncertainty of exploration and development programs.*

Kingsgate's future profitability will be significantly affected by the costs and results of its exploration and development programs. As mines have limited lives based on Reserves, Kingsgate actively seeks to replace and expand its Reserves, primarily through exploration and development and, in the future, intends to do so through strategic acquisitions as well.

Exploration for minerals is highly speculative in nature, involves many risks and is frequently unsuccessful. Among the many uncertainties inherent in any gold exploration and development program are the location of economic orebodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits, access to land and the construction of mining and processing facilities. Assuming the discovery of an economic deposit, several years may lapse from the initial phases of drilling until commercial operations are commenced and, during such time, the economic feasibility of production may change.

Accordingly, Kingsgate's exploration and development programs may not result in any new economically viable mining operations or yield new Reserves to replace and expand current Reserves. In the event that new Reserves are not discovered, Kingsgate may not be able to sustain production beyond the current mine life, based on current production rates.

- (d) *Licences and permits.*

The operations of Kingsgate require licences and permits from various governmental authorities. Kingsgate believes that it holds all necessary licences and permits under applicable laws and regulations and believes that it is presently complying in all material respects of the terms of such licences and permits. However, such licences and permits are subject to change in various circumstances. There can be no guarantee that Kingsgate will be able to obtain or maintain all necessary licences and permits as are required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost.

- (e) *Chatree North mining leases*

Kingsgate has applied for 10 mining leases at Chatree North, of which one has been granted. There is a risk that the remaining mining leases may not be granted, or granting may be delayed, by the relevant Thai regulatory authority. This may result in

the deferral or prevention of future expansion plans of Kingsgate which may require changes to the current operation of the Chatree gold mine which could have an adverse affect on Kingsgate's financial condition while the changes are undertaken or on the value of the Chatree gold mine. The Thai Government has called a general election to be held in April 2006 which may lead to possible delays in the granting of the abovementioned mining leases. For more information, see section 1.3.

(f) *Risks of acquisitions.*

Kingsgate undertakes evaluations of opportunities to acquire additional gold mining assets and businesses. Any successful acquisition may be significant in size, may change the scale of Kingsgate's business, and may expose Kingsgate to new geographic, political, operating, financial and geological risks. In addition, Kingsgate may need additional capital to finance an acquisition. Debt financing related to any acquisition will expose Kingsgate to the risk of leverage, while equity financing may cause existing shareholders to suffer dilution.

8. Other Material Information

8.1 No collateral benefits

Neither Bidder nor any of its associates has, in the four months before the date of this Bidder's Statement, or in the period between the date of this Bidder's Statement and the date of the Offer, given, offered to give or agreed to give a benefit which is not offered to all Andean Shareholders under the Offer to another person which was likely to induce the other person (or an associate) to accept the Offer or dispose of Andean Shares.

8.2 No escalation agreements

Neither Bidder nor any of its associates has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

8.3 Bidder and Kingsgate Directors' interests in Andean securities

Kingsgate's Directors hold a relevant interest in Andean Shares as detailed below:

<u>Kingsgate Director</u>	<u>Number of Andean Shares</u>
Ross Smyth-Kirk	5,008,331
John Falconer	576,924

Ross Smyth-Kirk's shareholdings include that of his associates.

Other than those directors listed above, none of Kingsgate, the Bidder or any Kingsgate Director has a relevant interest in Andean Shares or Andean Options as at the date of this Bidder's Statement.

None of Bidder, Kingsgate or any Kingsgate Director has acquired or disposed of Andean Shares or Andean Options in the four months preceding the date of this Bidder's Statement, other than:

- acquisition of 667,779 Andean Shares by Ross Smyth-Kirk through participation in the Andean non-renounceable entitlements issue which closed on 3 November 2005; and
- acquisition of 76,924 Andean Shares by John Falconer through participation in the Andean non-renounceable entitlements issue which closed on 3 November 2005.

Gavin Thomas, Kingsgate's Chief Executive Officer, holds 2,307,693 Andean Shares and 8,000,000 Andean Options.

8.4 Fees and benefits payable to Kingsgate Directors and advisers

Other than as set out below or elsewhere in this Bidder's Statement no:

- director or proposed director of Kingsgate;
- person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;
- promoter of Kingsgate; or

- an underwriter in relation to the issue of Kingsgate Shares pursuant to the Offer or a financial services licensee named in the Bidder's Statement as a financial services licensee involved in the issue of Kingsgate Shares pursuant to the Offer,

has, or had within two years before the date of this Bidder's Statement, any interest in:

- the formation or promotion of Kingsgate;
- property acquired or proposed to be acquired by Kingsgate in connection with its formation or promotion, or the offer of Kingsgate Shares under the Offer; or
- the offer of Kingsgate Shares under the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any director or a proposed director of Kingsgate as an inducement to become, or to qualify as, a director of Kingsgate or to any of those persons otherwise for services rendered by that person in connection with the formation or promotion of Kingsgate or the offer of Kingsgate Shares under the Offer.

The number, description and amount of marketable securities of Kingsgate which each Kingsgate and Bidder director has a relevant interest in as at the date of this Bidder's Statement are as follows.

Kingsgate and Bidder Director²⁹	Kingsgate Shares	Kingsgate Options
Ross Smyth-Kirk	4,252,380	Nil
John Falconer	149,452	Nil
Peter McAleer	380,000	Nil
Total	4,781,832	Nil

Kingsgate has fixed the maximum aggregate fees which can be paid to all non-executive directors of Kingsgate in any year at \$500,000. All of the current Kingsgate Directors are non-executive directors. Individual Director's remuneration is determined by the Kingsgate Board within the aggregate total. In determining the level of fees, data from surveys undertaken by outside consultants was taken into account.

Kingsgate pays premiums to provide Directors and Officers insurance to directors and officers of Kingsgate.

8.5 Date for determining holders of securities

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(2) is the Register Date.

8.6 Andean Options

Bidder may, subject to any consent required under the ASX Listing Rules being obtained, seek to enter into private arrangements with holders of the Andean Options to effect the cancellation of the Andean Options for the payment of the cancellation fee. Any such arrangements would be conditional on all the Defeating Conditions of the Offer being satisfied or waived by Bidder and would comply with the Corporations Act.

²⁹ All persons named are directors of both Bidder and Kingsgate.

If any Andean Options are not cancelled pursuant to arrangements as described above, Bidder intends to seek to compulsorily acquire the outstanding Andean Options under the Corporations Act after the close of the Offer, assuming Bidder becomes entitled to do so.

8.7 Broker commission

Bidder will pay a commission to member organisations of ASX and members of the Financial Planning Association (**Brokers**) who solicit acceptances of the Offer in respect of parcels of Andean Shares held by their clients who are retail Andean Shareholders. A retail Andean Shareholder is one who is not a Broker or an associate of a Broker and who held less than 100,000 Andean Shares at 8.00am on 22 February 2006.

Commission payments will be 0.75% of the value of the consideration payable for parcels of Andean Shares held by retail Andean Shareholders who accept the Offer, and will be subject to minimum payments (exceeding \$50) and maximum payments (not exceeding \$750) for each acceptance.

Commission payments will be made to brokers only and are subject to the condition that no part of the fee will be able to be passed on, or paid, to Andean Shareholders. The commission arrangement will remain in place for the balance of the Offer Period and the amount of the commission offered will not be increased during the Offer Period.

8.8 Regulatory matters and application of conditions

As at the date of this Bidder's Statement:

- Bidder is not aware of any action or investigation which would result in a breach of the Defeating Conditions in section 9.8; and
- Bidder has not identified any regulatory Approvals required for the Offer or any other transactions contemplated by the Offer other than as described below.

The Foreign Acquisitions and Takeovers Act 1975 (Cth) regulates the acquisition of shares in certain Australian companies where the acquisition results in a foreign entity controlling the corporation or a change in the identity of the foreign controllers of the corporation. Kingsgate believes that the level of foreign beneficial shareholding in Kingsgate may deem it to be a foreign person under the Foreign Acquisitions and Takeovers Act 1975 (Cth).

Accordingly, as the acquisition of Andean Shares under this Offer may result in Kingsgate, which may be a foreign entity, controlling Andean, this Offer is conditional upon the Treasurer of the Commonwealth of Australia stating prior to the expiration of the Offer that he has no objection under the Australian Federal Government's foreign investment policy or under the Foreign Acquisitions and Takeovers Act 1975 (Cth) to the acquisition of Andean Shares by the Bidder or the Treasurer ceases to be entitled to make an order under Part II of that legislation or such an acquisition being not otherwise in breach of that legislation.

Bidder lodged an application with the Foreign Investments Review Board (**FIRB**) on 24 February 2006 and Bidder does not believe that there are any issues that will prevent the Treasurer from approving this application. However, Bidder and Kingsgate cannot give any assurance as to the outcome of the application to FIRB.

8.9 Effect of breach of conditions

You should note that if there is a breach of any of the conditions of the Offer and Bidder decides to rely on that breach, then the contract formed by acceptance of the Offer will become void at the end of the Offer Period, and your Andean Shares will be returned to you at that time.

8.10 Approvals for payment of consideration

Bidder is not aware of any Andean Shareholders who require any Approval referred to in section 9.13(d) in order to be entitled to receive any consideration under the Offer.

So far as Bidder is aware, unless the Reserve Bank of Australia has given specific approval under the *Banking (Foreign Exchange) Regulations 1959* (Cth), payments or transfers to or for the order of prescribed governments (and their statutory authorities, agencies and entities) and, in certain cases, nationals of prescribed countries, are subject to certain limited exceptions, restrictions or prohibitions. Based on Bidder's searches, the prescribed governments, countries and entities are as follows:

- supporters of the former government of the Federal Republic of Yugoslavia; and
- ministers and senior officials of the Government of Zimbabwe.

The places to which, and persons to whom, the *Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002* (Cth) currently apply include the Taliban, Usama bin Laden (also known as Osama bin Laden), a member of the Al-Qaida organisation (also known as the Al-Qaeda organisation), and any person named on the list maintained pursuant to United Nations Resolution 1390 (2002) by the Committee of the United Nations Security Council established pursuant to United Nations Resolution 1267 (1999).

The places to which and persons to whom the *Charter of the United Nations (Sanctions - Afghanistan) Regulations 2001* (Cth) currently apply include a bin Laden Entity and a Taliban Entity (as those terms are defined in those regulations).

The *Iraq (Reconstruction and Repeal of Sanctions) Regulations 2003* (Cth) apply in respect of assets of the previous government of Iraq, and assets removed from Iraq or acquired by or on behalf of a senior official of the previous government of Iraq or their immediate families. Transactions with such assets (including, if relevant, Andean Shares) require Ministerial approval.

8.11 ASIC modifications and exemptions

ASIC has published various 'Class Order' instruments providing for modifications and exemptions that apply generally to all persons, including Bidder, in relation to the operation of Chapter 6 of the Corporations Act.

Amongst others, Bidder has relied on the modification to section 636(3) of the Corporations Act set out in paragraph 11 of ASIC Class Order 01/1543 'Takeover Bids' to include references to certain statements by Andean in this Bidder's Statement without obtaining the consent of those persons.

As required by Class Order 01/1543, Bidder 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 +613 9415 4247 (from outside Australia).

8.12 Consents

Kingsgate and its Directors have each consented to the inclusion of the statements in this Bidder's Statement which are based on the statements made by Kingsgate or its Directors (as the case may be) and have not withdrawn those consents before the date of this Bidder's Statement.

This Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to the ASX. Under the terms of ASIC Class Order 01/1543, the persons making those statements are not required to consent to, and have not consented to, the inclusion of those statements, or of statements based on those statements, in this Bidder's Statement (see section 8.11).

This Bidder's Statement also includes statements relating to Kingsgate's Resources and Reserves that are made by, or statements based on statements made by, Ron James, Kingsgate's General Manager – Exploration and Resource Development. Ron James has consented to being named in this Bidder's Statement and has consented to the inclusion of:

- each statement he has made; and
- each statement which is said in this Bidder's Statement to be based on a statement he has made,

in the form and context in which the statements have been included, and has not withdrawn that consent.

8.13 Kingsgate is a disclosing entity

Kingsgate is a 'disclosing entity' for the purposes of the Corporations Act and it is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require Kingsgate to notify the ASX of information about specified events and matters as they arise for the purposes of the ASX making that information available to the financial market operated by the ASX. In particular, Kingsgate has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it becomes aware concerning Kingsgate which a reasonable person would expect to have a material effect on the price or value of Kingsgate Shares. Kingsgate Shares have been quoted on the ASX during the 12 months prior to the date of this Bidder's Statement.

For this reason, Kingsgate is only required to disclose information in this Bidder's Statement that would usually be required where its shares have been continuously quoted securities.

In general terms, where Kingsgate Shares are continuously quoted securities the prospectus is only required to contain information in relation to the effect of the Offer on Kingsgate and the rights and liabilities attaching to the Kingsgate Shares. It is not necessary to include general information in relation to all of the assets and liabilities, financial position and performance, profits and losses or prospects of Kingsgate unless such information has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules and it is information that investors and their professional advisers would reasonably require for the purpose of

making an informed assessment of such matters and the rights and liabilities attaching to the Kingsgate Shares.

Information that is already in the public domain has not been reported in this Bidder's Statement other than that which is considered necessary to make this Bidder's Statement complete.

Kingsgate, as a disclosing entity under the Corporations Act, states that:

- it is subject to regular reporting and disclosure obligations;
- copies of documents lodged with ASIC in relation to Kingsgate (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, an ASIC office; and
- it will provide a copy of each of the following documents, free of charge, to any person on request during the Offer Period:
 - the annual financial report of Kingsgate for the year to 30 June 2005;
 - the half yearly financial report of Kingsgate for the 6 months ended 31 December 2005; and
 - any continuous disclosure notice given by Kingsgate to the ASX since its annual financial report for the year to 30 June 2005 was lodged with ASIC (ie. since 23 September 2005).

The ASX announcements made in relation to Kingsgate between 23 September 2005 and the date of this Bidder's Statement are listed in Annexure C. Copies of announcements made by Kingsgate to the ASX are available from the ASX.

To obtain a copy of any of the above documents during the Offer Period, interested persons may telephone the Offer Information line on 1300 760 949 (toll-free for callers within Australia) or outside Australia on +613 9415 4247.

Other than information contained in this Bidder's Statement, there is no information which has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules and is information that an Andean Shareholder or a professional adviser to an Andean Shareholder would reasonably require for the purposes of making an informed assessment of:

- the assets and liabilities, financial position and performance, profits and losses and prospects of Kingsgate; or
- the rights and liabilities attaching to the Kingsgate Shares.

8.14 Expiry Date

No securities will be issued on the basis of this Bidder's Statement after the date which is 13 months after the date of this Bidder's Statement.

8.15 Other material information

As part of a review of numerous projects throughout South America, geologists contracted to Kingsgate's South American subsidiary visited the Cerro Negro Project in May 2005. Geological data disclosed to Kingsgate's contractors at that time has subsequently formed the basis of geological interpretation set out in public releases by Andean and therefore no information disclosed at that time remains material for disclosure in connection with the Offer.

Except as disclosed in this Bidder's Statement, there is no other information that:

- is material to the making of the decision by an Andean Shareholder whether or not to accept the Offer; and
- is known to Bidder,

which has not previously been disclosed to Andean Shareholders.

9. Offer Terms

9.1 The Offer

- (a) Bidder offers to acquire all of your Andean Shares on the terms and subject to the conditions set out in this Offer.
- (b) If you accept this Offer, Bidder will be entitled to all Rights (being those accruing after the date this document is lodged with ASIC) in respect of your Andean Shares which it acquires under this Offer, as well as your Andean Shares themselves. If any Rights are received by you and such documents as may be necessary to vest title to those Rights in Bidder or the benefit of those Rights are not passed on to Bidder, Bidder may reduce the consideration payable to you under this Offer by the value, as reasonably assessed by Bidder, of those Rights (see section 9.12(k)).
- (c) This Offer extends to:
 - (i) Andean Shares which are issued during the period from the Register Date to the end of the Offer Period as a result of the conversion or exercise of rights attached to other securities convertible into Andean Shares (including Andean Options); and
 - (ii) any person who becomes registered or entitled to be registered as the holder of any of your Andean Shares during the Offer Period (see section 9.7(b)).
- (d) This Offer is dated [*date 2006].

9.2 Consideration

Subject to the terms of this Offer, in particular section 9.16, the consideration offered to you by Bidder is one (1) Kingsgate Share for every fifteen (15) of your Andean Shares.

9.3 Rounding

If you would otherwise become entitled to a fraction of a Kingsgate Share as a result of your acceptance of this Offer in addition to the number of whole Kingsgate Shares to which you become entitled as a result of that acceptance, any such fractional entitlement:

- (a) of less than 0.5 will be rounded down to zero; or
- (b) of 0.5 or more will be rounded up to one Kingsgate Share.

However, if Bidder reasonably believes that any parcel or parcels of Andean Shares has or have been created or manipulated to take advantage of rounding, then any fractional entitlement to a Kingsgate Share arising in relation to that parcel, or those parcels, will be rounded down so that the entitlement to Kingsgate Shares arising in relation to each parcel consists of the nearest whole number of Kingsgate Shares only and the fractional entitlement will be disregarded.

9.4 Offer Period

- (a) This Offer commences on the date the first of the Offers is made, which will be [*date 2006], and remains open for acceptance until 7.00pm (Sydney time) on [*date 2006], unless it is withdrawn or extended.

-
- (b) Bidder may, in accordance with the Corporations Act, extend the period during which this Offer remains open for acceptance.

9.5 Official quotation of Kingsgate Shares

- (a) The Kingsgate Shares offered as consideration will be issued by Kingsgate, will be issued fully paid and will rank equally with existing Kingsgate Shares from the date of issue.
- (b) Kingsgate has been admitted to the Official List of the ASX. Shares of the same class as those to be issued as consideration under this Offer have been granted official quotation by the ASX.
- (c) This Offer and any contract that results from your acceptance of this Offer are subject to the condition set out in section 625(3) of the Corporations Act.
- (d) The condition set out in section 625(3) of the Corporations Act is not a defeating condition for the purposes of the Corporations Act, and is not of the same nature as the conditions set out in section 9.8. Section 625(3) of the Corporations Act provides that this Offer cannot be freed of the condition prescribed in that section, and consequently no statements made by Bidder, or any other member of the Kingsgate Group, can be taken to be a waiver of that condition.
- (e) Official quotation of securities by the ASX is not granted automatically on application.

9.6 How to accept the Offer

The method by which you can accept the Offer will depend on whether your Andean Shares are in an Issuer Sponsored Holding or a CHESS Holding.

Your Andean Shares are in an Issuer Sponsored Holding if they are held on Andean's register of shareholders in Australia and sponsored directly by Andean as issuer.

Your Andean Shares are in a CHESS Holding if they are held on Andean's register of shareholders in Australia and sponsored by a Broker or other CHESS Participant or if you are a Controlling Participant.

(a) Issuer Sponsored Holdings

If any of your Andean Shares are held in an Issuer Sponsored Holding, to accept this Offer you must **complete, sign and send** the accompanying Acceptance Form in accordance with the instructions on it together with all other documents required by those instructions so that they are **received** before the expiry of the Offer Period. You must send the completed Acceptance Form (together with any documents required by the instructions on that form) to:

Computershare Investors Services Pty Limited
GPO Box 7043
Sydney NSW 2001

The postage is pre-paid within Australia.

Alternatively, you may deliver the Acceptance Form (together with any documents required by the instructions on that form) to:

Computershare Investors Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

The transmission of the Acceptance Form and other documents is at your own risk. No acknowledgement of receipt of documents will be given, but you may check whether your acceptance has been processed by calling the Offer Information Line on 1300 760 949 (toll-free within Australia) or +613 9415 4247 (from outside Australia).

(b) CHESSE Holdings

If your Andean Shares are in a CHESSE Holding, to accept this Offer you must comply with the ASTC Settlement Rules. To accept this Offer in accordance with the ASTC Settlement Rules:

- (i) you should instruct your Controlling Participant (ie. your Broker) such that the Controlling Participant initiates acceptance of this Offer in accordance with Rule 14.14 of the ASTC Settlement Rules before the expiry of the Offer Period; or
- (ii) if you are a Controlling Participant (ie. your Broker), acceptance of this Offer must be initiated in accordance with Rule 14.14 of the ASTC Settlement Rules before the expiry of the Offer Period.

Alternatively, you may **complete, sign and send** the Acceptance Form in respect of those Andean Shares which are in the CHESSE Holding in accordance with the instructions on it, together with all other documents required by those instructions. This will authorise Bidder to inform your Controlling Participant (ie. your Broker) of your instructions to accept this Offer on your behalf. You must ensure that the Acceptance Form is received by Bidder in time for Bidder to inform your Controlling Participant of your instructions, and your Controlling Participant to carry out those instructions, before the expiry of the Offer Period. You will be taken to have completed acceptance of this Offer when your Controlling Participant initiates acceptance of this Offer in accordance with Rule 14.14 of the ASTC Settlement Rules.

If you choose to complete the Acceptance Form, then the transmission of the Acceptance Form and other documents is at your own risk. No acknowledgement of receipt of documents will be given. Please note that any documents that are faxed to Computershare Investor Services Pty Limited will only be accepted if and when the original completed documents have been received by Computershare Investor Services Pty Limited, in each case within the periods specified in or required by this Offer.

(c) Nominee holdings

If your Andean Shares are registered in the name of a Broker, investment dealer, bank, trust company or other nominee, you should contact that nominee for assistance in accepting this Offer.

(d) Status of Acceptance Form

The Acceptance Form forms part of this Offer.

The requirements on the Acceptance Form must be observed in accepting this Offer in respect of any Andean Shares held in an Issuer Sponsored Holding. Acceptance of

this Offer for Andean Shares held in an Issuer Sponsored Holding will be effective only when (subject to paragraph (e) below), the properly completed Acceptance Form (together with any document required by the instructions on that form) has been received not later than the end of the Offer Period.

(e) Bidder's discretion

Notwithstanding paragraphs (a) to (d) above, Bidder may at its discretion treat any Acceptance Form received before the end of the Offer Period (at one of the addresses specified in paragraph (a) or such other address as may be acceptable to Bidder) as valid or waive any requirement of paragraph (a) to (d) in any case, but the payment of the consideration in accordance with this Offer will not be made until any irregularity has been resolved or waived and any other documents required to procure registration of the transfer of your Andean Shares to Bidder have been received by Bidder.

9.7 Persons to whom the Offer is made

- (a) An Offer in this form and bearing the same date is being made to and will be sent to each holder of Andean Shares so registered as at 7.00pm (Sydney time) on the Register Date.
- (b) If at the time this Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of some or all of your Andean Shares to which this Offer relates then:
 - (i) a corresponding Offer is deemed to have been made to that other person in respect of those Andean Shares;
 - (ii) a corresponding Offer is deemed to have been made to you in respect of any other Andean Shares to which this Offer relates; and
 - (iii) this Offer is deemed to have been withdrawn immediately after that time.
- (c) If at any time during the Offer Period your Andean Shares consist of two or more distinct portions (for example, where you hold Andean Shares as nominee for separate beneficial owners), this Offer is deemed to consist of separate corresponding Offers made to you for the respective distinct portions of your Andean Shares. You may accept two or more such deemed separate corresponding Offers at the same time as if they were a single Offer for each distinct portion of Andean Shares. An acceptance by you of one of the Offers which is deemed to exist in respect of a distinct portion of Andean Shares is ineffective unless you have given to Bidder a notice which:
 - (i) if it relates to Andean Shares in a CHESS Holding, must be in an electronic form approved by the ASTC Settlement Rules; or
 - (ii) if it relates to Andean Shares in an Issuer Sponsored Holding, must be in writing,

stating that the relevant Andean Shares consist of a distinct portion and your acceptance specifies the number of Andean Shares in the distinct portion to which the acceptance relates. If this applies to you, please call the Offer Information Line on 1300 760 949 (toll-free within Australia) or +613 9415 4247 (from outside Australia) if you require additional copies of the Bidder's Statement or Acceptance Form.

9.8 Conditions

Subject to this section 9.8, this Offer and any contract that results from your acceptance of this Offer is subject to the following conditions.

(a) Minimum acceptance

During, or at the end of, the Offer Period, Bidder and its associates together have relevant interests in at least 50% of the Andean Shares.

(b) Foreign investment condition

The Treasurer of the Commonwealth of Australia, before the expiry date of the Offer, advises Bidder in writing that there is no objection under the Commonwealth Government's foreign investment policy or under the Foreign Acquisitions and Takeovers Act 1975 (Cth) to the acquisition of Andean Shares by Bidder, or the Treasurer ceases to be entitled to make an order under Part II of that legislation or that such an acquisition does not otherwise breach that legislation.

(c) Other regulatory approvals

Before the end of the Offer Period, Bidder receives all Approvals (other than those referred to in section 9.8(b)):

- (i) that are necessary to permit the Offer to be lawfully made to, and accepted by, Andean Shareholders; or
- (ii) that are required as a result of the Offer or the acquisition of Andean Shares by Bidder and are necessary for the continued operation of the business of the Andean Group, or of the Kingsgate Group, substantially on the same terms as the relevant business was conducted as at the date of this Bidder's Statement,

in each case on an unconditional basis or on the basis of conditions that impose only non-material requirements incidental to the Approval, and, at the end of the Offer Period, all of those Approvals remain in full force and effect in all respects and are not subject to any notice or indication of intention to revoke, suspend, restrict, modify or not renew those Approvals.

(d) No regulatory actions

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
- (ii) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (iii) no application is made to any Public Authority (other than by Bidder or any of its associates),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel for the purpose, or in exercise, of the powers and discretions conferred on it by the Corporations Act) which restrains or prohibits or impedes, or threatens to restrain, prohibit or impede, the making of the Offer or the acquisition of Andean Shares under the Offer, or seeks to require the

divestiture by Bidder of any Andean Shares, or the divestiture of any material assets of the Andean Group or the Kingsgate Group.

(e) No material adverse change

Before the end of the Offer Period, no event, change or condition occurs, is announced or becomes known to Bidder (whether or not it becomes public) where that event, change or condition has had, or could reasonably be expected to have, either individually or in aggregate with all such events, changes or conditions, a material adverse effect:

- (i) on the business, assets, liabilities, financial or trading position, profitability or prospects of the Andean Group, taken as a whole; or
- (ii) on the status or terms of arrangements entered into by the Andean Group, or on the status or terms of any approvals, licences or permits from Public Authorities applicable to the Andean Group,

except to the extent that such events, changes and conditions have been publicly announced by Andean or otherwise disclosed in public filings by Andean or any of its subsidiaries prior to the Announcement Date.

(f) No material defect in Andean public filings

Bidder does not become aware, during the period from the Announcement Date to the end of the Offer Period (each inclusive), that any document filed by or on behalf of Andean, or by or on behalf of any person in relation to Andean, with ASX or ASIC contains a statement which is incorrect or misleading in any material particular or from which there is a material omission.

(g) No material acquisitions, disposals or new commitments

Except for any proposed transaction publicly announced by Andean before the Announcement Date, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period (each inclusive):

- (i) Andean or any subsidiary of Andean acquires, offers to acquire, enters into an option to acquire or agrees to acquire one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount in aggregate greater than \$1 million, or announces an intention to enter into such an acquisition, offer, option or agreement;
- (ii) Andean or any subsidiary of Andean disposes of, offers to dispose of, enters into an option to dispose of or agrees to dispose of any interest in any mining tenement, exploration licence, project, deposit or other mining right located at or around the Cerro Negro Project, or any subsidiary with an interest in such an asset, or announces an intention to enter into such a disposition, offer, option or agreement; or
- (iii) Andean or any subsidiary of Andean enters into, or offers to enter into or agrees to enter into, any agreement, joint venture or partnership which would require expenditure, or the foregoing of revenue, by the Andean Group or would involve a member of the Andean Group incurring or committing to any liability (including with respect to indebtedness or capital expenditure) of an amount which is, in aggregate, more than \$1 million, other than in the ordinary

course of business, or announces an intention to make such an offer or enter into such an agreement.

(h) Non-existence of certain rights

That no person:

- (i) has any right or obligation; or
- (ii) before the end of the Offer Period is granted any right or obligation, whether subject to conditions or not and including as a result of the Offer or acceptances under the Offer, to:
 - (iii) acquire from Andean or any Andean subsidiary any interest in any mining tenement, exploration licence, project, deposit or other mining right located at or around the Cerro Negro Project, or to acquire any interest in any subsidiary with an interest in such an asset;
 - (iv) terminate or vary or exercise any right under any agreement with Andean or any Andean subsidiary which would result or would be reasonably likely to result in a material change in the business, assets, liabilities, financial or trading position, profitability or prospects of the Andean Group, taken as a whole; or
 - (v) provide any financial accommodation to or for the account of Andean or any of its subsidiaries unless:
 - (A) such arrangements are capable of being terminated by Andean on not more than 3 months notice; and
 - (B) the total actual or contingent liability of the Andean Group arising in any way out of the termination of such arrangements (including any payment required to exercise the right of termination), other than the liability to repay any advances already made to it and interest accrued on the advances at no more than arms length commercial rates, would not and does not exceed \$100,000,

except to the extent such a right or obligation has been disclosed by Andean and appears on the public record of a Public Authority prior to the Announcement Date, and is not varied after that date.

(i) Dividends

Between the Announcement Date and the end of the Offer Period (each inclusive), Andean does not make or declare any distribution (whether by way of dividend or otherwise and whether in cash or in specie).

(j) No prescribed occurrences

During the period from the date of this Bidder's Statement to the end of the Offer Period (each inclusive), none of the following occurrences (being the prescribed occurrences listed in section 652C of the Corporations Act) happens:

- (i) Andean converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;

-
- (ii) Andean or a subsidiary of Andean resolves to reduce its share capital in any way;
 - (iii) Andean or a subsidiary of Andean enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
 - (iv) Andean or a subsidiary of Andean issues shares (other than as a result of the exercise of Andean Options) or grants an option over its shares, or agrees to make such an issue or grant such an option;
 - (v) Andean or a subsidiary of Andean issues, or agrees to issue, convertible notes;
 - (vi) Andean or a subsidiary of Andean disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - (vii) Andean or a subsidiary of Andean charges, or agrees to charge, the whole, or a substantial part, of its business or property;
 - (viii) Andean or a subsidiary of Andean resolves to be wound up;
 - (ix) a liquidator or provisional liquidator of Andean or of a subsidiary of Andean is appointed;
 - (x) a court makes an order for the winding up of Andean or of a subsidiary of Andean;
 - (xi) an administrator of Andean or of a subsidiary of Andean is appointed under section 436A, 436B or 436C of the Corporations Act;
 - (xii) Andean or a subsidiary of Andean executes a deed of company arrangement; or
 - (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Andean or a subsidiary of Andean.

9.9 Nature of conditions

- (a) Each of the conditions in section 9.8 (other than the condition specified in section 9.8(b)) to which this Offer is subject is a condition subsequent that does not prevent a contract to sell your Andean Shares resulting from acceptance of this Offer, but any breach or non-fulfilment of it will entitle Bidder, by notice in writing to you, to rescind a contract that results from your acceptance of this Offer as if that contract had not been formed.
- (b) The specified condition in section 9.8(b) is a condition precedent. Any contract resulting from acceptance of this Offer will not become binding unless and until the condition in section 9.8(b) is fulfilled. Bidder is not entitled to waive such condition.
- (c) Each of the conditions in each paragraph and each sub-paragraph of section 9.8 which apply to this Offer will constitute and be construed as a separate, several and distinct condition. No condition which applies to this Offer will be taken to limit the meaning or effect of any other condition.
- (d) Bidder alone will be entitled to the benefit of the conditions which apply to this Offer and any breach or non-fulfilment of such condition may be relied on only by Bidder.

Bidder may at any time and from time to time waive (generally, or in respect of a particular event) the breach or non-fulfilment of any such condition or any part of such condition (other than the condition specified in section 9.8(b)).

9.10 Waiver of conditions

- (a) Subject to the Corporations Act, Bidder may free the Offer and any contract resulting from acceptance of the Offer from all or any of the conditions in section 9.8 (other than the condition specified in section 9.8(b)) by giving notice in writing to Andean and to the ASX in accordance with section 650F of the Corporations Act. Any such notice may be given:
- (i) in the case of the conditions in section 9.8(j) – not later than 3 business days after the end of the Offer Period; and
 - (ii) in the case of all other conditions in section 9.8 – not less than 7 days before the end of the Offer Period.
- (b) If, at the end of the Offer Period, the conditions in section 9.8 have not been fulfilled and Bidder has not declared the Offer (or the Offer has not become) free from those conditions, all contracts resulting from the acceptance of the Offer and all acceptances that have not resulted in binding contracts will be automatically void.

9.11 Notice of status of conditions

The date for giving the notice as to the status of the conditions in section 9.8 required by section 630(1) of the Corporations Act is [*date] 2006 (subject to variation in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

9.12 Effect of acceptance

By accepting this Offer in accordance with section 9.5, you will have:

- (a) accepted this Offer in respect of all of your Andean Shares, despite any difference between that number and the number of Andean Shares shown in the Acceptance Form, and agreed to the terms and conditions of this Offer;
- (b) subject to the Offer being declared free from the conditions set out in section 9.8 or those conditions being fulfilled, assigned all of your beneficial interest in your Andean Shares to Bidder, conveyed beneficial title to your Andean Shares to Bidder and agreed to transfer legal title to your Andean Shares to Bidder;
- (c) subject to the Offer being declared free from the Defeating Conditions or those conditions being fulfilled, authorised Kingsgate to issue to you the Kingsgate Shares you are entitled to receive under this Offer and to register your name in the Kingsgate register of members in respect of those Kingsgate Shares, and agreed that you will be bound by the constitution of Kingsgate;
- (d) authorised Bidder (by its directors, servants or agents) to complete the Acceptance Form by inserting such details as are omitted in respect of your Andean Shares and to rectify any errors in or omissions from the Acceptance Form (including altering the number of Andean Shares stated to be held by you if it is otherwise than as set out in the Acceptance Form) as may be necessary to make the Acceptance Form an

-
- effective acceptance of this Offer or to enable registration of the transfer of your Andean Shares to Bidder;
- (e) represented and warranted to Bidder that your Andean Shares will, at the date of the transfer of them to Bidder, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that you have full power and capacity to accept this Offer and to sell and transfer the legal and beneficial ownership of your Andean Shares to Bidder;
 - (f) represented and warranted to Bidder that, if you are the legal owner but not the beneficial owner of your Andean Shares:
 - (i) the beneficial holder has not sent a separate acceptance of the Offer in respect of your Andean Shares;
 - (ii) the number of Andean Shares you have specified as being the entire holding of Andean Shares you hold on behalf of the particular beneficial holder is in fact such entire holding; and
 - (iii) that you are irrevocably and unconditionally entitled to transfer your Andean Shares, and to assign all of the beneficial interest therein to Bidder;
 - (g) represented and warranted to Bidder that you are not a Foreign Andean Shareholder, unless otherwise indicated on the Acceptance Form;
 - (h) acknowledged and agreed that if you indicate on the Acceptance Form that you are a Foreign Andean Shareholder, or if Bidder believes that you are a Foreign Andean Shareholder, Bidder will arrange for any Kingsgate Shares otherwise issuable to you to be issued and sold, and for the net proceeds to be remitted to you, as described in section 9.16, unless Bidder is satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to an Andean Shareholder in the relevant jurisdiction and to issue Kingsgate Shares to such an Andean Shareholder on acceptance of the Offer;
 - (i) appointed Bidder and each of its directors, secretaries and officers severally as your true and lawful attorney, with effect from the date that this Offer, or any contract resulting from acceptance of this Offer, becomes free from its conditions or such conditions are satisfied or waived, with power to do all things which you could lawfully do concerning your Andean Shares or in exercise of any right derived from the holding of your Andean Shares, including (without limiting the generality of the foregoing):
 - (i) attending and voting at any meeting of Andean;
 - (ii) demanding a poll for any vote to be taken at any meeting of Andean;
 - (iii) proposing or seconding any resolution to be considered at any meeting of Andean;
 - (iv) requisitioning the convening of any meeting of Andean and convening a meeting pursuant to any such requisition;
 - (v) notifying Andean that your address in the records of Andean for all purposes, including the despatch of notices of meeting, annual reports and dividends, should be altered to an address nominated by Bidder; and

(vi) doing all things incidental or ancillary to any of the foregoing, and to have agreed that in exercising the powers conferred by that power of attorney, the attorney may act in the interests of Bidder as the intended registered holder and beneficial holder of your Andean Shares.

This appointment, being given for valuable consideration to secure the interest acquired in your Andean Shares, is irrevocable, and terminates upon registration of a transfer to Bidder of your Andean Shares.

Bidder will indemnify you and keep you indemnified in respect of all costs, expenses and obligations which might otherwise be incurred or undertaken as a result of the exercise by an attorney of any powers under this paragraph;

- (j) irrevocably authorised and directed Andean to pay Bidder or to account to Bidder for all Rights in respect of your Andean Shares subject, however, to any such Rights received by Bidder being accounted for by Bidder to you if this Offer is withdrawn or the contract formed by your acceptance of this Offer is rescinded or rendered void;
- (k) except where Rights have been paid or accounted for under paragraph (j), irrevocably authorised Bidder to deduct from the consideration payable in accordance with the terms of this Offer the amount of all Rights referred to in paragraph (j) or any amount equal to the value of those Rights as reasonably assessed by Bidder (or, if there is a dispute, the Chairman of ASX or his nominee); and
- (l) if you signed the Acceptance Form in respect of your Andean Shares in a CHES Holding, irrevocably authorised Bidder:
 - (i) to inform your CHES Controlling Participant of your instructions for it to initiate acceptance of the Offer on your behalf in respect of all such Andean Shares in accordance with the ASTC Settlement Rules; and
 - (ii) to give any other instructions concerning those Andean Shares to your CHES Controlling Participant on your behalf under the sponsorship agreement between you and the CHES Controlling Participant;
- (m) agreed that, if section 9.13(d) applies to you, you will provide Bidder at your cost with all information and assistance required in order for Bidder to apply for requisite authorities or clearances from the Reserve Bank of Australia or the Australian Taxation Office; and
- (n) agreed that the contract formed by acceptance of this Offer will be governed by the laws of New South Wales and agreed to submit to the non-exclusive jurisdiction of courts exercising jurisdiction there.

9.13 Obligations of Bidder

- (a) If you accept this Offer and the conditions of the Offer and of the contract resulting from the acceptance of the Offer are satisfied or are waived, then Bidder will provide the consideration (as set out in section 9.2) no later than five Business Days after the later of the date that this Offer is validly accepted by you under section 9.6 or, if at the time of your acceptance this Offer is subject to a Defeating Condition in section 9.8, no later than five Business Days after the contract formed by your acceptance of this Offer becomes unconditional.

-
- (b) The obligation of Bidder to provide the consideration to which you are entitled under this Offer will be satisfied by Kingsgate:
- (i) entering your name on the register of members of Kingsgate in respect of those Kingsgate Shares; and
 - (ii) despatching or procuring the despatch to you of a holding statement in accordance with the ASX Listing Rules no later than 5 Business Days after your name is entered in the register of members of Kingsgate, by pre-paid post to your address as shown on the Acceptance Form or such other address as you may notify to Kingsgate before despatch. If your Andean Shares are held in joint names and those names are entered into the Issuer Sponsored Subregister of Kingsgate, the holding statement will be issued in the name of, and forwarded to, the holder whose name appears first in Kingsgate's register of members.
- (c) All costs and expenses of the preparation of this Bidder's Statement and of the preparation and circulation of the Offer, and any stamp duty payable on transfers of Andean Shares, will be paid by Bidder.
- (d) If, at the time of acceptance of this Offer, any authority or clearance of the Reserve Bank of Australia or of the Australian Taxation Office is required for you to receive any consideration under this Offer or you are a resident in or a resident of a place to which, or you are a person to whom:
- (i) the *Banking (Foreign Exchange) Regulations 1959* (Cth);
 - (ii) the *Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002* (Cth);
 - (iii) the *Charter of the United Nations (Sanctions - Afghanistan) Regulations 2001* (Cth);
 - (iv) the *Iraq (Reconstruction and Repeal of Sanctions) Regulations 2003* (Cth); or
 - (v) any other law of Australia that would make it unlawful for Bidder to provide consideration for your Andean Shares,
- applies then acceptance of this Offer will not create or transfer to you any right (contractual) or contingent unless and until the requisite authorities or clearances are in place. See section 8.10 for information as to whether this restriction applies to you.

9.14 Variation

Bidder may vary this Offer as permitted by Part 6.6 Division 2 of the Corporations Act.

9.15 Options

Although the Offer does not extend to any unexercised Andean Options, Bidder may make a separate offer to acquire the unexercised Andean Options. Bidder has made no final decision in relation to this matter at this stage.

9.16 Foreign Andean Shareholders

An Andean Shareholder is a Foreign Andean Shareholder for the purposes of the Offer if its address as shown in the register of members of Andean is in a jurisdiction other than Australia or its external Territories unless:

- (a) Bidder is satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to an Andean Shareholder in the relevant jurisdiction and to issue Kingsgate Shares to such an Andean Shareholder on acceptance of the Offer; and
- (b) it is lawful for such an Andean Shareholder to accept the Offer in such circumstances in the relevant jurisdiction.

Notwithstanding anything else contained in this Bidder's Statement, Bidder is not under any obligation to undertake any action in order to satisfy itself concerning any of these matters.

In accordance with section 619(3) of the Corporations Act, the Kingsgate Shares which would otherwise have been issued to Foreign Andean Shareholders will instead be issued to a nominee approved by ASIC, who will sell those Kingsgate Shares. The net proceeds of the sale of such shares will then be remitted to the relevant Foreign Andean Shareholders.

If you are a Foreign Andean Shareholder, you will not be entitled to receive Kingsgate Shares as consideration for your Andean Shares as a result of acceptance of this Offer, and Bidder will:

- (c) arrange for the issue to a nominee approved by ASIC (the **Nominee**) of the number of Kingsgate Shares to which you and all other Foreign Andean Shareholders would have been entitled but for this section 9.16 and the equivalent provision in each other offer under the Offer;
- (d) cause the Kingsgate Shares so issued to be offered for sale by the Nominee on ASX as soon as practicable and otherwise in the manner, at the price and on such other terms and conditions as are determined by the Nominee; and
- (e) cause the amount ascertained in accordance with the formula below to be paid to you:

$$P \times N / T$$

where:

P is the amount (if any) remaining after deducting the expenses of sale from the proceeds of sale of the Kingsgate Shares issued to the Nominee under this section 9.16 and the equivalent provision in each other offer under the Offer;

N is the number of Kingsgate Shares which would, but for this section 9.16, otherwise have been issued to you under this Offer; and

T is the total number of Kingsgate Shares issued to the Nominee under this 9.16 and the equivalent provision in each other offer under the Offer.

Payment of the amount referred to in this section 9.16 will be made by cheque in Australian dollars or, if this is unlawful, the currency of the jurisdiction of your residence (as shown in the register of members of Andean).

9.17 Withdrawal

- (a) This Offer may be withdrawn with the consent in writing of ASIC, which consent may be given subject to such conditions (if any) as are specified in the consent. If so, Bidder will give notice of the withdrawal to the ASX and to Andean and will comply with any other conditions imposed by ASIC.
- (b) If Bidder withdraws this Offer, all contracts arising from its acceptance will automatically be void.

10. Definitions and Interpretation

10.1 Definitions

In this Bidder's Statement and in the Acceptance Form, unless the context requires otherwise:

Acceptance Form means the acceptance form enclosed with this Bidder's Statement or, as the context requires, any replacement or substitute acceptance form provided by or on behalf of Bidder.

AGAAP means Australian Generally Accepted Accounting Principles.

AIFRS means the Australian equivalents to International Financial Reporting Standards as issued by the Australian Accounting Standards Board.

Akara means Akara Mining Limited, Kingsgate's wholly owned subsidiary that owns and operates the Chatree gold mine in Thailand.

Announcement Date means 22 February 2006. See Annexure B.

Approval means:

- (a) a consent, authority, licence, approval, order, ruling, waiver or exemption which is required by law or by a Public Authority; or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a Publicity Authority intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry or termination of that period without intervention or action.

ASIC means the Australian Securities and Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

ASTC Settlement Rules means the operating rules of the settlement facility provided by ASTC.

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691) or, as the context requires, the financial market operated by it.

ASX Listing Rules means the Listing Rules of ASX.

Bid Period means the period between the date on which this Bidder's Statement was provided to Andean and the end of the Offer Period (both inclusive).

Bidder means Kingsgate South America Pty Ltd (ACN 118 498 561), a wholly owned subsidiary of Kingsgate.

Bidder's Statement means this document, being the statement of Bidder under Part 6.5 of the Corporations Act relating to the Offer.

Andean means Andean Resources Limited (ACN 064 494 319).

Andean Board means the board of directors of Andean.

Andean Director means a director on the Andean Board.

Andean Group means Andean and its Related Entities as at the date of this Bidder's Statement.

Andean Option means an option to subscribe for an Andean Share.

Cerro Negro Project means an epithermal gold project located in the Southern Argentinean province of Santa Cruz, which is 100% owned by the Andean Group.

Andean Share means a fully paid ordinary share in Andean.

Andean Shareholder means a person registered in the register of members of Andean as a holder of Andean Shares.

BOI means the Royal Thai Board of Investment.

CGT means Australian capital gains tax.

CHESS means the Clearing House Electronic Subregister System, which provides for the electronic transfer, settlement and registration of securities in Australia.

CHESS Holding means a holding of Andean Shares on the CHESS Subregister of Andean.

CHESS Subregister has the meaning given in the ASTC Settlement Rules.

Controlling Participant has the meaning given in the ASTC Settlement Rules. Usually your Controlling Participant is a person, such as a broker, with whom you have a sponsorship agreement (within the meaning of the ASTC Settlement Rules).

Corporations Act means the *Corporations Act 2001* (Cth).

Defeating Condition means each condition set out in section 9.8.

Foreign Andean Shareholder has the meaning given in section 9.16.

GST means the goods and services tax imposed under the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) and the related imposition acts of the Commonwealth of Australia.

Holder Identification Number means the number used to identify an Andean Shareholder on the CHESS Subregister of Andean.

Issuer Sponsored Holding means a holding of Andean Shares on the Issuer Sponsored Subregister of Andean.

Issuer Sponsored Subregister has the meaning given in the ASTC Settlement Rules.

Kingsgate means Kingsgate Consolidated Limited (ABN 42 000 837 472).

Kingsgate Director means a director of Kingsgate.

Kingsgate Group means Kingsgate and its Related Entities as at the date of this Bidder's Statement.

Kingsgate Option means an option to subscribe for a Kingsgate Share.

Kingsgate Share means a fully paid ordinary share in Kingsgate.

Merged Group means Kingsgate and its Related Entities following Bidder acquiring control of Andean, and including Andean.

Offer or **Kingsgate's Offer** means, as the context requires, the offer for Andean Shares contained in section 9, or the off-market takeover bid constituted by that offer and each other offer by Bidder for Andean Shares in the form of that offer, including in each case as varied in accordance with the Corporations Act.

Offer Period means the period during which the Offer will remain open for acceptance in accordance with section 9.4.

Public Authority means any government or any governmental, semi-governmental, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere. It also includes any self-regulatory organisation established under statute and any stock exchange.

Register Date means [7.00] pm on [*date 2006], being the date set by Bidder under section 633(2) of the Corporations Act.

Rights means all accretions, rights and benefits of whatever kind attaching to or arising from the Andean Shares directly or indirectly at or after the date of this Bidder's Statement (including all dividends and all rights to receive them and rights to receive or subscribe for shares, notes, bonds, options or other securities or entitlements declared, paid or issued by Andean or any subsidiary of Andean).

Securityholder Reference Number means the number allocated by Andean to identify an Andean Shareholder on the Issuer Sponsored Subregister of Andean.

VWAP means volume weighted average price.

your Andean Shares means, subject to section 9.7:

- (a) the Andean Shares in respect of which you are registered or entitled to be registered as a holder in the register of members of Andean at the Register Date, and in respect of which no other person becomes registered or entitled to be registered as a holder before you accept the Offer; and
- (b) any other Andean Shares to which you are able to give good title at the time you accept the Offer (including any Andean Shares in respect of which you become registered or entitled to be registered as a holder due to the conversion of, or exercise of rights attached to, other securities convertible into Andean Shares (including Andean Options) that are on issue at the Register Date).

10.2 Technical definitions

In this Bidder's Statement and in the Acceptance Form, unless the context requires otherwise:

ball mill means a grinding mill in which the rock is ground by the tumbling action of steel balls.

breccia means rock consisting of angular fragments in a finer grained matrix.

CIL means carbon in leach, a method of extracting gold and silver from an ore by dissolving them in a weak solution of sodium cyanide.

carbonate means a group of minerals with the anionic structure of CO₃; commonly referred to as calcite (calcium carbonate).

cut-off grade means the lowest grade of Resources considered economic; used in the calculation of Reserves in a given deposit.

dore means unrefined gold and silver bullion bars consisting of approximately 90% precious metals which will be further refined to almost pure metal.

electrowinning means deposition of metal on an electrode from electrolysis.

epithermal gold deposits means gold deposits formed in rocks at shallow depth from low temperature hydrothermal solutions.

head grade means the average grade of ore fed into a gold processing plant or mill.

hydrothermal means a process involving water-dominated fluids in the earth's crust with relatively high temperature with respect to the host rock temperature.

Inferred Resource means a Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence.

JORC means the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

leach means the dissolving of oxide ores to form a copper sulphate solution.

life of mine means the numbers of years of production expected based on processing plant through put capacity and Resources.

low sulphidation means a class of epithermal gold deposits formed in neutral to slightly acid hydrothermal conditions and low sulphur activity, usually spatially away from igneous intrusions.

Mesozoic means an era of geological time from 225-65 million years.

mineralisation means a concentration of an ore mineral in an amount greater than the average background level for a particular rock type. Also an unquantified accumulation of ore mineral(s).

mtpa means million tonnes per annum.

ore body means rock or mineral material that can be mined for a profit at or near the prevailing commodity prices.

ppm means parts per million.

pyrite means a mineral compound of iron and sulphur, FeS₂ "Fools Gold".

quartz means common silicate mineral, SiO₂.

Resource or mineral resource means a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such a form and quantity that there are reasonable prospects for eventual economic extraction, in accordance with JORC.

Reserves or ore reserves means the calculated tonnage and grade of mineralisation which can be extracted profitably; classified as possible, probable and proven according to the level of confidence that can be placed in the data and is the economically mineable part of a measured or indicated Resource, in accordance with JORC.

ROM means run of mine.

SAG mill means semi-autogenous grinding mill, which is a mill in which the tumbling action of the rocks facilitates the grinding.

sediments means a collection of transported fragments or precipitated minerals that accumulate, typically in loose layers, as sand or mud in a surficial environment.

silicified/silicification means a type of hydrothermal alteration characterised by replacement of rock material by silica.

stockwork means an interlocking system of small veins or lodes.

strip ratio means the tonnage or volume of waste material which must be removed to allow the mining of one tonne of ore in an open pit.

sulphides means a group of minerals in which one or more metals is found in common with sulphur.

TSF means tailings storage facility.

vein means a tabular, hydrothermal mineral deposit emplaced after the time of formation of the enclosing rock, usually consisting of quartz, sulphides, clay and/or carbonate.

volcanic means related to volcanoes or volcanism.

10.3 Interpretation

In this Bidder's Statement and in the Acceptance Form, unless the context requires otherwise,

- (a) Headings are for convenience only and do not affect interpretation.
- (b) The singular includes the plural and conversely.
- (c) A reference to a section or Annexure is to a section of, or annexure to, this Bidder's Statement.
- (d) A gender includes all genders.
- (e) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (f) A reference to a person, corporation, trust, partnership, unincorporated body or association or other entity includes any of them.
- (g) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns.
- (h) A reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.
- (i) A reference to any instrument or document includes any variation or replacement of it.
- (j) A term not specifically defined in this Bidder's Statement has the meaning given to it in the Corporations Act (being, if any special meaning is given for the purposes of Chapter 6 or 6A of the Corporations Act or a provision of those chapters, that special meaning).
- (k) A reference to time is a reference to Sydney time.
- (l) Mentioning anything after **includes, including, for example**, or similar expressions, does not limit what else might be included.
- (m) A reference to **\$** is a reference to the lawful currency of Australia unless otherwise stated.
- (n) A reference to **you** is to a person to whom the Offer under section 9 is (or is deemed to be) made.

11. Approval of Bidder's Statement

This Bidder's Statement has been approved by a resolution of the Directors of Kingsgate South America Pty Ltd (ACN 118 498 561).

Dated 28 February 2006

Signed on behalf of Kingsgate South America Pty Ltd:



Ross Smyth-Kirk
Director

Annexure A - Kingsgate's announcement in relation to the Offer



Kingsgate

Consolidated Limited

ABN 42 000 837 472

22 February 2006

Via ASX Online (7 pages)

FOR PUBLIC RELEASE

The Manager – Announcements
Company Announcements Office
Australian Stock Exchange Limited

KINGSGATE ANNOUNCES OFF-MARKET TAKEOVER OFFER FOR ANDEAN

Kingsgate Consolidated Limited (ASX:KCN, "Kingsgate") today announced an off-market takeover offer for 100% of the shares in Andean Resources Limited (ASX:AND, "Andean"). Under the terms of the offer, Kingsgate is offering Andean shareholders 1 Kingsgate share for every 15 Andean shares held. In addition, Andean shareholders will be entitled to receive the Kingsgate interim dividend of 5 cents per Kingsgate share provided that the offer is successful and they are Kingsgate shareholders by the record date of 21 April 2006.

Andean is a gold exploration company listed on the ASX whose principal asset is the Cerro Negro exploration project located in Argentina.

The Board of Kingsgate believes that the acquisition of the Cerro Negro project would provide an excellent addition to Kingsgate's growing exploration and development portfolio. In particular it will allow Kingsgate to utilise its skill base in developing offshore epithermal gold deposits to create value for its shareholders.

The offer provides material benefits to the shareholders of Andean including:

- The opportunity to realise an attractive premium for their shares. Based on the closing price of Kingsgate shares on 21 February 2006 the offer values each Andean share at \$0.391 which represents a premium of:
 - 22% to the closing price of Andean shares on the same date; and
 - 25% to the volume weighted average price of Andean shares for the three months prior to this announcement;
- The combination of Kingsgate's technical expertise, financial strength, commercial experience and proven track record means it is well placed to accelerate the exploration and potential development of the Cerro Negro project;

-
- By accepting Kingsgate's offer, Andean shareholders will become shareholders in a larger, well financed company which offers:
 - Increased market presence through inclusion in the S&P/ASX 200 Index;
 - Strong management with a successful track record in developing and operating a major gold mine outside of Australia;
 - An enhanced cashflow profile, a strong balance sheet with no debt, and greater access to development finance;
 - A strong platform for growth provided by the cashflow generated by the low cost operations at the Chatree gold mine and the company's portfolio of prospective mining development and exploration projects;
 - Identified ore reserves of 1.84 million ounces of gold and mineral resources of 3.2 million ounces of gold; and
 - The ability to participate in future dividends on Kingsgate shares. Over the past three and a half years, Kingsgate has declared or paid approximately \$58 million in dividends to its shareholders;
 - The combination of the assets of Kingsgate and Andean will diversify the gold exposure of Andean shareholders to a company which has a portfolio of assets including an operating mine in Thailand generating strong cashflows as well as a number of highly attractive exploration prospects. This has the potential to substantially improve the investment risk profile for Andean shareholders.

Kingsgate Chairman, Ross Smyth-Kirk, said the offer to Andean shareholders is the next positive step in Kingsgate's stated strategy to become a preferred gold mining company that delivers shareholder value through profitability and growth.

"Kingsgate will be committed to delivering value from the prospective Cerro Negro project as early as possible, in addition to continuing its growth through exploration and development of its existing assets", he said.

Offer Terms

By accepting the offer and subject to the conditions of the offer being satisfied, Andean shareholders will receive 1 Kingsgate share for every 15 Andean shares held. In addition, Andean shareholders will also be entitled to receive the Kingsgate dividend of 5 cents per Kingsgate share provided that the offer is successful and they are Kingsgate shareholders by the record date of 21 April 2006. The offer will be made by a wholly owned subsidiary of Kingsgate.

Kingsgate's offer is subject to certain conditions including:

- Kingsgate obtaining acceptances to provide it with relevant interests in more than 50% of Andean shares;
- FIRB and all other regulatory approvals are obtained and there are no materially adverse regulatory actions taken to restrain, prohibit or impede the offer;
- no "prescribed occurrences" under section 652C of the Corporations Act occurring; and
- no material adverse changes or other material events occurring in relation to Andean.

Further details in relation to the offer conditions are outlined in Attachment A.

Rationale for the Offer

Kingsgate sees clear benefits from merging the two companies into a larger, more diverse gold mining company. The acquisition will represent a material growth step for Kingsgate and add a second major asset with medium-term development potential to its portfolio.

Kingsgate has operated in South America for a number of years and recognises the prospectivity of the region. Kingsgate currently has site offices and exploration staff working in Peru, Argentina and

Chile. Kingsgate considers that the Cerro Negro project is similar to its Chatree deposit, where Kingsgate has gained considerable expertise in exploration and mine development. Together with its access to financial resources, Kingsgate believes it is best placed to accelerate the potential development of the Cerro Negro project to maximise value for all shareholders.

Process and Timing

Kingsgate expects that the Bidder's Statement will be lodged with ASIC later this month and sent to shareholders in March. Following the dispatch of the Bidder's Statement the offer will remain open for at least one month.

Macquarie Bank Limited is acting as financial adviser and Allens Arthur Robinson as legal adviser to Kingsgate.

For further information contact:

Mr Stephen Promnitz

Kingsgate Corporate Development Manager

0400 030 816

(02) 8256 4800

Media enquiries:

Ms Suzanne Blake

Blake Communications

0414 233 500

About Kingsgate

Kingsgate is a highly successful Australian gold and silver mining and exploration company. Kingsgate is listed on the ASX with a market capitalisation of approximately \$500 million, which positions it as one of Australia's Top 200 ASX listed companies.

Kingsgate owns and operates the low-cost Chatree gold mine in central Thailand through a subsidiary, Akara Mining Limited, using world's best practice for safe, environmental and socially responsible operations. Chatree is the largest gold mine in Thailand and, since its commissioning in 2001, the mine has produced approximately 600,000 ounces of gold and 1.5 million ounces of silver at cash costs which continue to rank Chatree as one of the lowest cost gold operations in the world. In the year to 30 June 2005, Kingsgate produced 126,550 ounces of gold at a cash cost of US\$212 per ounce and is on track to produce 145,000 to 150,000 ounces of gold at US\$200 to US\$220 per ounce in the 2005/06 financial year.

About Andean

Andean is an Australian listed public company focused on the exploration and development of gold projects in Patagonia, Argentina. The Company's major asset is the 100% owned Cerro Negro epithermal gold deposit, located in the southern Argentinean province of Santa Cruz at an elevation of approximately 800m above sea level.

ATTACHMENT A – CONDITIONS OF THE OFFER

The takeover offers (**Offers**) to be made by Kingsgate's wholly owned subsidiary (**Bidder**) for ordinary shares in Andean (**Andean Shares**) will be subject to conditions substantially as set out below.

(a) Minimum acceptance

During, or at the end of, the period for which Bidder's Offers remain open (**Offer Period**), Bidder and its associates together have relevant interests in at least 50% of the Andean Shares.

(b) Foreign investment condition

The Treasurer of the Commonwealth of Australia, before the expiry date of the Offer, advises Bidder in writing that there is no objection under the Commonwealth Government's foreign investment policy or under the Foreign Acquisitions and Takeovers Act 1975 (Cth) to the acquisition of Andean Shares by Bidder, or the Treasurer ceases to be entitled to make an order under Part II of that legislation or that such an acquisition does not otherwise breach that legislation.

(c) Other regulatory approvals

Before the end of the Offer Period, Bidder receives all regulatory approvals or consents (other than those referred to in section (b) above):

- (i) that are necessary to permit the Offers to be lawfully made to, and accepted by, Andean Shareholders; or
- (ii) that are required as a result of the Offers or the successful acquisition of Andean Shares and are necessary for the continued operation of the business of Andean and its subsidiaries, or of Kingsgate and its subsidiaries,

in each case on an unconditional basis or on the basis of conditions that impose only non-material requirements incidental to the approval or consent, and, at the end of the Offer Period, all of those approvals or consents remain in full force and effect in all respects and are not subject to any notice or indication of intention to revoke, suspend, restrict, modify or not renew those approvals or consents.

(d) No regulatory actions

Between the date of this announcement (**Announcement Date**) and the end of the Offer Period (each inclusive):

- (i) there is not in effect any preliminary or final decision, order or decree issued by any government or governmental, semi-governmental, statutory or judicial entity or authority, or any minister, department, office or delegate of any government (including any self-regulatory organisation established under statute or any stock exchange), whether in Australia or elsewhere (**Public Authority**);
- (ii) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (iii) no application is made to any Public Authority (other than by Bidder or any of its associates),

in consequence of or in connection with the Offers (other than an application to, or a decision or order of, the Australian Securities and Investments Commission (**ASIC**) or the Takeovers

Panel for the purpose, or in exercise, of the powers and discretions conferred on it by the Corporations Act) which restrains or prohibits or impedes, or threatens to restrain, prohibit or impede, the making of the Offers or the acquisition of Andean Shares under the Offers or seeks to require the divestiture by Bidder of any Andean Shares, or the divestiture of any material assets of Andean or its subsidiaries or Kingsgate or its subsidiaries.

(e) No material adverse change

Before the end of the Offer Period, no event, change or condition occurs, is announced or becomes known to Bidder (whether or not it becomes public) where that event, change or condition has had, or could reasonably be expected to have, either individually or in aggregate with all such events, changes or conditions, a material adverse effect:

- (i) on the business, assets, liabilities, financial or trading position, profitability or prospects of Andean and its subsidiaries, taken as a whole; or
- (ii) on the status or terms of arrangements entered into by Andean and its subsidiaries, or on the status or terms of any approvals, licences or permits from Public Authorities applicable to Andean and its subsidiaries,

except to the extent that such events, changes and conditions have been publicly announced by Andean or otherwise disclosed in public filings by Andean or any of its subsidiaries prior to the Announcement Date.

(f) No material defect in Andean public filings

Bidder does not become aware, during the period from the Announcement Date to the end of the Offer Period (each inclusive), that any document filed by or on behalf of Andean, or by or on behalf of any person in relation to Andean, with ASX or ASIC contains a statement which is incorrect or misleading in any material particular or from which there is a material omission.

(g) No material acquisitions, disposals or new commitments

Except for any proposed transaction publicly announced by Andean before the Announcement Date, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period (each inclusive):

- (i) Andean or any subsidiary of Andean acquires, offers to acquire, enters into an option to acquire or agrees to acquire one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount in aggregate greater than \$1 million, or announces an intention to enter into such an acquisition, offer, option or agreement;
- (ii) Andean or any subsidiary of Andean disposes of, offers to dispose of, enters into an option to dispose of or agrees to dispose of any interest in any mining tenement, exploration licence, project, deposit or other mining right located at or around the Cerro Negro project, or any subsidiary with an interest in such an asset, or announces an intention to enter into such a disposition, offer, option or agreement; or
- (iii) Andean or any subsidiary of Andean enters into, or offers to enter into or agrees to enter into, any agreement, joint venture or partnership which would require expenditure, or the foregoing of revenue, by Andean and its subsidiaries or would involve Andean or one of its subsidiaries incurring or committing to any liability (including with respect to indebtedness or capital expenditure) of an amount which is,

in aggregate, more than \$1 million, other than in the ordinary course of business, or announces an intention to make such an offer or enter into such an agreement.

(h) Non-existence of certain rights

That no person:

- (i) has any right or obligation; or
- (ii) before the end of the Offer Period is granted any right or obligation, whether subject to conditions or not and including as a result of the Offers or acceptances under the Offers, to:
 - (iii) acquire from Andean or any Andean subsidiary any interest in any mining tenement, exploration licence, project, deposit or other mining right located at or around the Cerro Negro project, or any subsidiary with an interest in such an asset;
 - (iv) terminate or vary or exercise any right under any agreement with Andean or any Andean subsidiary which would result or would be reasonably likely to result in a material change in the business, assets, liabilities, financial or trading position, profitability or prospects of Andean and its subsidiaries, taken as a whole; or
 - (v) provide any financial accommodation to or for the account of Andean or any of its subsidiaries unless:
 - (A) such arrangements are capable of being terminated by Andean on not more than 3 months notice; and
 - (B) the total actual or contingent liability of the Andean Group arising in any way out of the termination of such arrangements (including any payment required to exercise the right of termination), other than the liability to repay any advances already made to it and interest accrued on the advances at no more than arms length commercial rates, would not and does not exceed \$100,000,

except to the extent such a right or obligation has been disclosed by Andean in public filings prior to the Announcement Date and is not varied after that date.

(i) Dividends

Between the Announcement Date and the end of the Offer Period (each inclusive), Andean does not make or declare any distribution (whether by way of dividend or otherwise and whether in cash or in specie).

(j) No prescribed occurrences

During the period from the Announcement Date to the end of the Offer Period (each inclusive), none of the events listed in sections 652C(1)(a) to (h) inclusive and 652C(2)(a) to (e) occur (other than the issue of Andean Shares pursuant to the exercise or conversion of options or other securities which had been issued and notified to ASX prior to the Announcement Date).

The full text of these conditions will be set out in the Bidder's Statement. Bidder reserves the right to waive any or all of these conditions in accordance with the Corporations Act (other than the FIRB condition in paragraph (b) above).

Annexure B - ASX announcements in relation to Kingsgate

Announcements since 23 September 2005

Date	Subject matter
22 February 2006	AND Announcement re Kingsgate Takeover Offer
22 February 2006	Proposed Takeover for AND – Investor Presentation
22 February 2006	Off-Market Takeover Offer for Andean
22 February 2006	Trading Halt
15 February 2006	Half Year Results Presentation
15 February 2006	Half Year Profit Increase of 58%
15 February 2006	Half Yearly Report & Half Year Accounts
24 January 2006	Change in substantial holding
24 January 2006	Second Quarter Activities Report
20 January 2006	Expiry of Options
11 January 2006	Appendix 3B
9 January 2006	December Quarter Production
23 December 2005	ASIC Form 484 – Cancellation of Shares
19 December 2005	Media Release
19 December 2005	C South Update
16 December 2005	Daily Share Buy-Back Notice
15 December 2005	Daily Share Buy-Back Notice
7 December 2005	Daily Share Buy-Back Notice
6 December 2005	Daily Share Buy-Back Notice
5 December 2005	Daily Share Buy-Back Notice
23 November 2005	Daily Share Buy-Back Notice
18 November 2005	ASIC Form 484 Share Cancellation
14 November 2005	Resignation of CFO
10 November 2005	Daily Share Buy-Back Notice
8 November 2005	Chairman's Address AGM 2005
8 November 2005	CEO's Presentation - AGM 2005
8 November 2005	Clearer Copy of CEO Presentation Part 1
8 November 2005	Clearer Copy of CEO Presentation - Part 2
8 November 2005	Results of Meeting
8 November 2005	Full copy of CEO Presentation AGM 2005
3 November 2005	Increased interim ore reserves & mineral resources at Chatree Gold Mine
3 November 2005	Reserves grow 25% in three months
3 November 2005	Change in substantial holding – Gold 2000 Ltd

26 October 2005	First Quarter Activities Report
26 October 2005	September Quarter Update
26 October 2005	Appendix 3B – Exercise of options
20 October 2005	Daily Share Buy-Back Notice
20 October 2005	Form 484 - Change of company details: Cancellation of Shares
18 October 2005	New Mining Lease Granted
14 October 2005	Daily Share Buy-Back Notice
13 October 2005	Daily Share Buy-Back Notice
12 October 2005	Daily Share Buy-Back Notice
11 October 2005	Daily Share Buy-Back Notice
11 October 2005	Denver Gold Forum Presentation
11 October 2005	Chatree Plant Upgrade
7 October 2005	Daily Share Buy-Back Notice
4 October 2005	Daily Share Buy-Back Notice
3 October 2005	Daily Share Buy-Back Notice
29 September 2005	Change of Director's Interest Notice
27 September 2005	Appendix 3B – Issue of DRP shares
27 September 2005	Denver Gold Forum Presentation
27 September 2005	Daily Share Buy-Back Notice

Annexure C - ASX announcements in relation to Andean

Announcements since 20 October 2005

Date	Subject matter
22 February 2006	Kingsgate Takeover Offer
22 February 2006	Proposed Takeover from KCN – Investor Presentation
22 February 2006	Off-Market Takeover from Kingsgate Consolidated
22 February 2006	Trading Halt
21 February 2006	Cerro Negro Drill Results
31 January 2006	Second Quarter Activities and Cashflow Report
24 January 2006	Continued drilling success at Cerro Negro
21 December 2005	Cerro Negro continues to shine for Andean
15 December 2005	Appendix 3B
30 November 2005	Results of AGM
21 November 2005	Ceasing to be a substantial shareholder – MR Dalla Costa
14 November 2005	Change of Director's Interest Notice x 3
11 November 2005	Change in substantial holding - Sentient Executive GP1 Limited
10 November 2005	Top 20 and Spread post entitlements issue
8 November 2005	Closure of Entitlements Issue and Shortfall
1 November 2005	Notice of 2005 AGM & Proxy Form
27 October 2005	First Quarter Activities & Cashflow Report
20 October 2005	Despatch of prospectus and entitlement form

Annexure D - Rights and liabilities attaching to Kingsgate Shares

Set out below is a summary of the rights attaching to Kingsgate Shares. This summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of shareholders of Kingsgate, which can involve complex questions of law arising from the interaction of Kingsgate's constitution and statutory, common law and ASX Listing Rules requirements.

1. Share capital

Subject to the ASX Listing Rules and Corporations Act, the Kingsgate Directors have the right to issue shares to such persons at such times and on such terms and conditions and have attached to them such preferred, deferred or other special rights or such restrictions as the Directors think fit, whether with regard to dividend, voting, return of capital or otherwise or at a discount as the Directors think fit.

The Kingsgate Directors may also grant any person options or securities with rights of conversion to shares or pre-emptive rights to any shares.

Subject to the ASX Listing Rules and not without prior approval of a resolution of Kingsgate in general meeting, the Kingsgate Directors may allot shares to any person where the allotment would have the effect of transferring a controlling interest in Kingsgate.

2. General meetings

All members of Kingsgate are entitled to receive notification of the general meetings of Kingsgate. Any member entitled to attend and cast a vote at a general meeting may appoint a proxy or attorney to attend and vote for the member at the meeting. No business may be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business, such quorum comprising not less than 3 members being present in person or by proxy, attorney or representative and entitled to vote at the meeting.

3. Voting

A resolution put to the vote at a general meeting of members is decided upon a show of hands unless a poll is demanded. Subject to any rights or restrictions at the time being attached to any class or classes of shares and the constitution, each member entitled to vote may vote in person or by proxy or attorney.

Every member present in person at a general meeting of Kingsgate or by proxy or attorney has one vote on a show of hands and, on a poll, one vote for each Kingsgate Share held. On a poll, partly paid shares confer a fraction of a vote in proportion to the amount paid up on the share.

4. Dividends

Subject to the rights of any persons entitled to shares with special rights to dividends, the Kingsgate Directors may declare a final dividend in accordance with the Corporations Act and may in accordance with the ASX Listing Rules fix times for entitlement to and the payment or crediting by Kingsgate to the members of such a dividend. The payment of any final dividend does not require confirmation by general meeting.

In addition, the Directors may, in accordance with the ASX Listing Rules, authorise the payment or crediting by Kingsgate to the members of such interim dividends as appear to the

Directors to be justified by the profits of Kingsgate. The payment of any interim dividend does not require confirmation by general meeting.

When paying or declaring a dividend, the Directors may direct payment of the dividend wholly or partly by distribution of specific assets, including fully paid shares in or debentures of any other company.

5. Transfer of shares

Kingsgate Shares may be transferred:

- by a proper ASTC transfer (as defined in the Corporations Act) or by any other method of transferring Kingsgate Shares established or recognised by the ASX from time to time or operated in accordance with the ASTC Settlement Rules or the ASX Listing Rules and in any case recognised under the Corporations Act; or
- by instrument in writing in any common form or in any other form that the Kingsgate Directors approve.

Where Kingsgate receives an instrument of transfer that complies with the registration procedure set out in the constitution, Kingsgate must register the transferee named in the instrument as the holder of the Kingsgate Shares to which the instrument of transfer relates. However, the Kingsgate Directors may decline to register a transfer in circumstances permitted by the ASX Listing Rules or ASTC Settlement Rules, or where the transfer (not being a proper ASTC transfer) is not in registrable form. Furthermore, the Directors must decline to register a transfer where required to do so by the ASX Listing Rules, or where the transfer would be in breach of the ASX Listing Rules or of any restriction agreement relating to restricted securities (as defined in the ASX Listing Rules) entered into by Kingsgate under the ASX Listing Rules.

6. Winding up

If Kingsgate is wound up, the liquidator may divide among the members the whole or any part of Kingsgate's property and may for that purpose set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the members.

Annexure E - Kingsgate and Andean pro-forma financial information

Part A – Kingsgate accounting policies under AIFRS – Major accounting policy changes

This Part A of Annexure E should be read in conjunction with interpreting historical AGAAP financial information contained in this Bidder's Statement.

Reconciliations and descriptions of the effect of the transition from previous AGAAP to AIFRS and full AIFRS accounting policies are contained in the Half-Year Financial Report for the six months ended 31 December 2005, released to the ASX on 15 February 2006.

Set out below is a summary of the major changes in accounting policies that have impacted Kingsgate as a result of the transition to AIFRS.

(a) Financial Instruments

The adjustments in respect of financial instruments which are discussed in detail below are not required to be made as at 30 June 2005 as Kingsgate applied the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* which does not require such adjustments to be made until 1 July 2005.

The nature of the main adjustments to make the accounting policies comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or to an equity reserve (refer below). At the date of transition (1 July 2005) changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date and on previous AGAAP accounting.

At inception of each transaction, the Kingsgate Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cashflows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cashflow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges are recognised in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled into the income statement in the periods when the hedged item will affect profit or loss (for instance, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the

criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(b) Exploration Expenses

There are no significant changes under the new AASB 6 *Exploration for and Evaluation of Mineral Resources* compared to the previous accounting standard AASB 1022 *Accounting for the Extractive Industry*.

(c) Income Tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amount of the consolidated entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

Kingsgate has not recognised deferred tax balances due to the availability of unrecognised tax losses.

(d) Foreign Currency Translation Reserve: Cumulative Translation Differences

On the initial application of AIFRS, the consolidated entity has elected to apply the exemption of AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* relating to the balance of the foreign currency translation reserve. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve will be deemed to be zero at the date of translation to AIFRS, with the balancing adjustment being made to retained earnings.

(e) Equity Based Compensation Benefits

Under AASB 2 *Share-based Payments*, from 1 July 2004 the consolidated entity is required to recognise an expense for those options that were issued to employees and directors under the Kingsgate Employees and Contractors Option Plan after 7 November 2002 but that had not vested by 1 January 2005.

(f) Restoration and Rehabilitation Provision

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and AASB 116 *Property, Plant and Equipment* require that the present value of restoration obligations associated with the mining operations be recognised as a non-current liability and the present value of future restoration be capitalised as part of the relevant project. The capitalised cost is then amortised over the life of the project and the provision is increased periodically as the discounting of the liability unwinds. The unwinding of the discount is recorded as interest expense.

This differs to the AGAAP accounting policy where the consolidated entity provides for or charges expenditure related to ongoing rehabilitation and restoration programs, including exploration areas on non-freehold land as part of the costs of production as incurred.

(g) Revenue Recognition

Under AASB 118 *Revenue*, the point of sale will be recognised when the refinery process has been finalised and the sale transaction to a third party has been completed.

This will result in a change to the current accounting policy allowed under AASB 1022 *Accounting for the Extractive Industry* as revenue was recorded at the point in time when the risks were transferred when the gold and silver was taken off site by the transportation company. AASB 6 *Exploration for and Evaluation of Mineral Resources* does not extend to revenue recognition.

Part B – Consolidated pro-forma balance sheet of Andean Resources Limited

This Part B of Annexure E should be read in conjunction with Section 5.5 of this Bidder's Statement.

B.1 Basis of preparation

Reference to Andean financial information in this Annexure refers to the pro-forma consolidated balance sheet in respect of Andean and its controlled entities. The financial information of Andean has been prepared based on the unaudited pro-forma balance sheet disclosed in Andean's Prospectus dated 7 October 2005 ("the Andean Prospectus"). The Andean Prospectus stated that the unaudited pro-forma was prepared "on the basis that there has been no material movements in the assets and liabilities of the consolidated entity between 30 June 2005 and the close of the entitlements issue on 3 November 2005" other than certain disclosed items. These adjustments are described in Section B.3 of this Part B of Annexure E. The 30 June 2005 financial information presented by Andean in the Andean Prospectus was audited. Pro-forma adjustments to the Andean audited 30 June 2005 statement of financial position have been made to adjust for differences between AGAAP and AIFRS and to reflect material post 30 June 2005 transactions in respect of Andean up to the date of this document based on information contained in public announcements made by Andean to the Australian Stock Exchange.

B.2 Consolidated pro-forma balance sheet of Andean Resources Limited

Set out below is a reconciliation between the audited statement of financial position as at 30 June 2005 contained in the Andean Prospectus and the pro-forma consolidated balance sheet of Andean which has been included in the Consolidated Post Completion Kingsgate Group Pro-forma statement of position set out in Section 5.6 of this Bidder's Statement showing the impact of the transaction on the financial position of Kingsgate.

The adjustments made to the audited 30 June 2005 financial information are unaudited.

Andean Resources Limited

Pro-forma Balance Sheet	AGAAP	AIFRS	Post	AIFRS
	30-Jun-05	Adjustments	30-Jun-05	Andean
	A\$'000	A\$'000	A\$'000	A\$'000
CURRENT ASSETS				
Cash assets*	2,226	-	8,781	11,007
Receivables	314	-	32	346
TOTAL CURRENT ASSETS	2,540	-	8,813	11,353
NON-CURRENT ASSETS				
Mine property, plant and equipment	5,192	-	1,616	6,808
TOTAL NON-CURRENT ASSETS	5,192	-	1,616	6,808
TOTAL ASSETS	7,732	-	10,429	18,161
CURRENT LIABILITIES				
Payables	786	-	(786)	-
TOTAL CURRENT LIABILITIES	786	-	(786)	-
NON-CURRENT LIABILITIES				
Payables	2	-	-	2
Provisions	52	-	-	52
TOTAL NON-CURRENT LIABILITIES	54	-	-	54

TOTAL LIABILITIES	840	-	(786)	54
NET ASSETS	6,892	-	11,215	18,107
EQUITY				
Parent entity interest				
Contributed equity	21,332	-	11,553	32,885
Reserves	142	299	(18)	423
Retained profits	(14,582)	(299)	(320)	(15,201)
TOTAL EQUITY	6,892	-	11,215	18,107

* The only adjustment made to the audited 30 June 2005 cash assets balance are described in section B.3. These adjustments do not include all cash movements since 30 June 2005. According to Andean's 31 December 2005 Quarterly Report, as at 31 December 2005, Andean had total cash assets of \$5.156m, which includes all cash transactions since 30 June 2005 including amounts relating to the profit/loss for the six months to 31 December 2005 and any other movements in assets and liabilities. The balance of cash included in the Pro-forma (excluding the Pro-forma adjustment relating to the exercise of options totalling \$5.980 m) is \$5.027m and the difference of \$0.129 million is the quantum of those other transactions that have not been included in the Pro-forma adjustments. If the correct cash movement was used, the cash assets amounted reported on this Pro-forma would increase from \$11.007 million to \$11.136 million.

B.3 Pro-forma adjustments arising from the transition to AIFRS and material post 30 June 2005 transactions of Andean

The material pro-forma adjustments made to the pro-forma consolidated statement of financial position of Andean resulting from the transition to AIFRS and material post 30 June 2005 transactions of Andean up to the date of this Bidder's Statement are detailed below.

As a result of adopting AIFRS for the first time, a number of accounting policies of Andean as disclosed in Andean's Annual Report for the year ended 30 June 2005 have changed. Section B.4 of this Part B of Annexure E provides further details of the major changes in accounting policies that will impact Andean on transition to AIFRS as disclosed in Andean's 2005 Annual Report.

B.3.1 Adjustments arising from the transition to AIFRS

Reserves

Reserves increased by \$0.299 million to reflect the establishment of the share based reserve to recognise the fair value of options issued but not exercised (as disclosed in the Andean 2005 Annual Report).

Retained profits

Retained profits decreased by \$0.299 million to reflect the recognition of the expensing of share based payments based on the fair value of vested options not exercised issued to Directors (as disclosed in the 2005 Annual Report).

B.3.2 Adjustments arising from material post 30 June 2005 transactions of Andean

Cash

Andean's pro-forma cash balance has increased by A\$8.781 million to reflect:

- the increase of \$4.201 million disclosed in the unaudited pro-forma statement of financial performance in the Andean Prospectus;
- the decrease due to the payment of the forecast expenditure of \$1.4 million for Phase 1 of the exploration program during October-December 2005 as specified in the Andean Prospectus; and
- the increase of \$5.980 million due to the assumption made that all outstanding Andean Options (38,000,000 options³⁰) will be exercised before the transaction takes place.

The details of the outstanding options and exercise prices included in the above pro-forma adjustment are as follows:

Options	Expiry date	Exercise Price \$	Total payment \$
9,000,000	30/04/2006	0.08	720,000
5,000,000	31/10/2006	0.15	750,000
6,000,000	31/10/2007	0.20	1,200,000
7,000,000	30/06/2008	0.08	560,000
3,000,000	31/12/2008	0.20	600,000
6,000,000	31/10/2009	0.25	1,500,000
1,000,000	30/04/2010	0.30	300,000
1,000,000	31/10/2010	0.35	350,000
			<hr/> 5,980,000

Receivables

Receivables have increased by \$0.032 million to reflect the movement disclosed in the unaudited pro-forma statement of financial performance in the Andean Prospectus.

Mine property, plant and equipment

Mine property, plant and equipment increased by \$1.616 million as a result of the payment for exploration expenditure of \$0.216 million in Argentina on exploration activities on the Cerro Negro Gold project as disclosed in the Andean Prospectus and the incurring of the forecast expenditure of \$1.4 million for Phase 1 of the exploration program during October-December 2005 as specified in Andean Prospectus.

³⁰ Based on the 34,000,000 issued Andean Options as disclosed in Andean's Quarterly Report for the quarter ended 31 December 2005 plus the 4,000,000 Andean Options approved to be issued to Mr Patrick Esnouf (an Andean Director) at the Andean Annual General Meeting on 29 November 2005.

Payables

Payables decreased by \$0.786 million as a result of the payment of items as disclosed in the Andean Prospectus including the final instalment of \$0.54 million (initially recorded as \$0.522 million payable) owing for the acquisition of the Cerro Negro Gold project and other current payables of \$0.264 million.

Contributed equity

Contributed equity increased by \$11.553 million as a result of the following items:

- the increase from the issue of 4,166,666 shares at \$0.08 per share on the exercise of 4,166,666 unlisted options raising \$333,334 in new equity capital as disclosed in the Andean Prospectus;
- the increase from the issue of new shares as disclosed in the Andean Prospectus as a result of the rights issue raising \$5,544,653;
- the decrease from the payment of expenses relating to the rights issue of \$305,000 as disclosed in the Andean Prospectus; and
- the increase of \$5.980 million due to the assumption made that all outstanding Andean Options will be exercised before the transaction takes place.

Reserves

Reserves decreased by \$0.018 million as disclosed in the Andean Prospectus to reflect the foreign exchange loss incurred on the payment of the final instalment owing for the acquisition of the Cerro Negro Gold project.

Retained profits

Retained profits decreased by \$0.320 million as a result of the movement disclosed in the unaudited pro-forma statement of financial position in the Andean Prospectus.

B.4 Andean accounting policies under AIFRS – Major accounting policies changes

The following information is based on changes to accounting policies required as disclosed in Andean's 2005 Annual Report. Due to not having sufficient information for Andean, Kingsgate is not able to determine whether Andean has identified all impacts of the transition to AIFRS.

(a) Impairment of Assets

Andean currently determines the recoverable amount of an asset on the basis of either undiscounted or discounted (depending on the specific asset) net cashflows that will be received from the assets' use and subsequent disposal. In terms of AASB 136 *Impairment of Assets*, the recoverable amount of an asset will be determined as the higher of the fair value less costs to sell and value in use. It is expected that this change in accounting policy will generally lead to impairments being recognised more often than under the existing policy.

(b) Income Tax

Currently Andean adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefits. Under AASB 112 *Income Taxes*, Andean will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

(c) Equity Based Compensation Benefits

Under AASB 2 *Share-based Payment*, Andean will be required to determine the fair value of options issued to employees and directors and record this as an expense in the Statement of Financial Performance.

Corporate Directory of Kingsgate

Kingsgate Consolidated Limited
(ABN 42 000 837 472)

Registered Office & Principal Business

Level 8, 14 Martin Place
Sydney NSW 2000

Telephone: +61 2 8256 4800
Facsimile: +61 2 8256 4810
Email: info@kingsgate.com.au
Website: www.kingsgate.com.au

Directors of Kingsgate and Bidder

Ross Smyth-Kirk (Chairman)
John Falconer
Peter McAleer

Company Secretary of Kingsgate and Bidder

John Falconer

Offer Information Line

Within Australia: 1300 760 949 (toll free)
Outside Australia: +613 9415 4247

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Telephone: +61 2 8234 5000
Facsimile: +61 2 8234 5050
Website: www.computershare.com.au

Auditor

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171

A

Transfer and Acceptance Form –

This is an important document and requires your immediate attention. If you are in doubt about how to deal with it, please consult your financial or other professional advisor.

Use this form to accept Kingsgate South America Pty Limited's Offer for your Andean Resources Limited shares

B Consideration

The consideration applicable under the terms of this offer

You will receive one (1) Kingsgate Consolidated Limited share for every fifteen (15) of your Andean Resources Limited ordinary shares

Securityholder details

Subregister

Your holding in Andean Resources Limited

Share consideration to be issued to you on the basis of 1 Kingsgate Consolidated Limited share for every 15 Andean Resources Limited shares accepted

C To be completed by Securityholder

Issuer Sponsored Holdings

If you hold your Andean Resources Limited shares in an Issuer Sponsored Holding (see "Subregister" above), to accept the offer you will need to sign and return this form.

You will be deemed to have accepted the Offer in respect of all your Andean Resources Limited shares if you sign and return the form.

CHESS Holdings

If you hold your Andean Resources Limited shares in a CHESS Holding (see "subregister" above), to accept the offer you can either:

- Instruct your Controlling Participant directly – normally your stockbroker

or

- Authorise Kingsgate South America Pty Limited to inform your Controlling Participant of your instructions for the Controlling Participant to accept on your behalf, which you can do by signing and returning the form. By signing and returning the form you will be deemed to have authorised Kingsgate South America Pty Limited to inform your Controlling Participant of your instructions

D Contact details

Please provide your contact details in case we need to speak to you

Name of contact person

Contact person's daytime telephone number

--	--

E Sign here – this section must be signed before we can process this form.

I/We accept the offer made by Kingsgate South America Pty Limited in respect of ordinary shares in Andean Resources Limited. I/We hold and I/we agree to be bound by the terms and conditions of the Offer (*including the instructions as to acceptance of the Offer on the back of this form*) and transfer all of my/our Andean Resources Limited shares to Kingsgate South America Pty Limited for the consideration specified in the Offer.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Individual or Securityholder 2

Director

Individual or Securityholder 3

Director/Company Secretary

The directors reserve the right to make amendments to this form where appropriate. Please refer to the lodgement instructions overleaf.

Dated

2006

See back of form for completion guidelines

How to complete this form

Acceptance of the takeover offer

A Registration Details

The shares are currently registered in the name(s) printed on this form. Your consideration will be issued in the names as it appears on the Andean Resources Limited register.

If you have already sold all your Andean Resources Limited shares shown overleaf, do not return this form. Please send this form to the broker who sold them for you.

B Consideration

The consideration payable under the Offer is 1 Kingsgate Consolidated Limited share for every 15 Andean Resources Limited share.

C How to accept the Offer

Issuer Sponsored Holdings

If your Andean Resources Limited shares are held in an Issuer Sponsored Holding, simply complete and return this form to the Kingsgate South America Pty Limited Registry so that it is received by no later than <Time> <Time Zone> on <Date>, unless extended.

CHES Holdings

If your Andean Resources Limited shares are in a CHES holding, you may **contact your Controlling Participant** directly (normally your stockbroker) with instructions to accept the offer. If you do this, you will need to sign and return this Transfer and Acceptance Form to your Controlling Participant. If you want Kingsgate South America Pty Limited to contact your Controlling Participant on your behalf via the CHES system, sign and return this form to the Kingsgate South America Pty Limited Registry so that it is received no later than <Time> <Time Zone> on <Date> unless extended.

If you return this Transfer and Acceptance Form to the Registry so that Kingsgate South America Pty Limited may inform your Controlling Participant of your instructions for the Controlling Participant to accept on your behalf, you warrant to Kingsgate South America Pty Limited (and authorise Kingsgate South America Pty Limited to warrant on your behalf) that you have full legal and beneficial ownership of the Andean Resources Limited shares and that Kingsgate South America Pty Limited will acquire them free from all mortgages, charges, liens, encumbrances (whether legal or equitable), restrictions on transfer of any kind and free from any third party rights.

Neither Kingsgate South America Pty Limited or Computershare Investor Services will be responsible for any delays incurred by this process. You should allow sufficient time for the preferred party to initiate the acceptance of the offer on your behalf.

D Contact details

Enter the name of a contact person and telephone number. These details will only be used in the event that the registry has a query regarding this form.

E Signature(s)

You must sign the form as follows in the space provided:

Joint holding: where the holding is in more than one name all of the securityholders must sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the Kingsgate South America Pty Limited registry. Alternatively, attach a certified copy of the Power of Attorney to this form when you return it.

Deceased Estate: all executors must sign and, if not already noted by the Kingsgate South America Pty Limited registry, a certified copy of Probate or Letters of Administration must accompany this form.

Companies: this form must be signed by either 2 Directors or a Director and a Company Secretary. Alternatively, where the company has a Sole Director and, pursuant to the Corporations Act, there is no Company Secretary, or where the Sole Director is also the Sole Company Secretary, that Director may sign alone. Delete titles as applicable.

Lodgement of Transfer and Acceptance Form

This Transfer and Acceptance Form must be received at the Sydney office of Computershare Investor Services Pty Limited by no later than <Time> <Time Zone> on <Date>. Return this Transfer and Acceptance Form to:

Postal Address
Computershare Investor Services Pty Limited
GPO Box 7043
Sydney NSW 2001

OR Hand Delivery
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail privacy@computershare.com.au.

Please note this form may not be used to change your address.

**Please return the completed
form in the envelope provided
or to the address opposite:**

Computershare Investor Services Pty Limited
GPO Box 7043
Sydney NSW 2001