



ABN 43 059 457 279

Dear Fellow Shareholder,

I am writing to inform you of the situation which unfolded in Peru during the last week of April when the Australian consortium of which Latin Gold was a member, was denied pre-qualification under an International Bid Process to bid for the Michiquillay copper project located in Peru.

The bid took place on Monday 30 April, Peru time.

At the end of January Latin Gold announced its intention to lead a consortium consisting of Latin Gold, leading Peruvian mining identity Augusto Baertl and an ASX listed mid tier company with a market capitalisation of greater than A\$800 million in bidding for the Michiquillay copper project in the Cajamarca department in Northern Peru.

The project, which is owned by the Peru government controlled Minero Peru, is a porphyry copper deposit that according to Pro-Inversion (the Peruvian government instrumentality commissioned to undertake the sale) contains "reserves" of 544 Mt grading 0.69% copper, 0.1-0.5 g/t gold and 2-4 g/t silver using a 0.4% cut-off.

Latin Gold has closely monitored the progress of the Michiquillay project for over three years and has completed significant due diligence on the project including site visits, data review and discussions with the local comunidades.

This knowledge, in conjunction with balance sheet strength and mining expertise of our Australian partner made us confident of having a sound chance of winning in the bidding process.

On 27 April 2007 Latin Gold announced to the market that our consortium had made the necessary application to pre-qualify for the bid.

In this announcement we advised that to pre-qualify a consortium had to demonstrate to Proinversion that it fulfils both the technical and financial requirements of the pre-qualification. These requirements were:

**Technical requirement**

- Metallurgical mining operations of greater than 10,000 tonnes per day, or
- Annual production of greater than 100,000 tonnes of concentrate, or
- Annual production of at least 150,000 tonnes of metal.

**Financial requirement**

- Net assets of at least US\$100 million

Latin Gold's Michiquillay Consortium lodged all of the necessary documentation on time and, in accordance with the bid documentation, satisfied all of the pre-qualification requirements.

---

**Australia:**

Level 1, 89 St. George's Tce. Perth, Western Australia 6000  
Mailing Address; G.P.O Box 2508, Perth, Western Australia, 6001  
Telephone 61-8-9481 3000; Facsimile: 61-8-9481 2200; Mobile 61-419 537 714;  
Email:jim.malone@iinet.net.au

**Peru:**

Calle El Rosario359-B, Miraflores, Lima 18, Peru  
Telephone 51-1-446-5522; Facsimile 51-1-447-1225; Mobile 51-1-97888855; Email:simon.titchener@iinet.net.au.

However, on 28 April we received final advice from Proinversion that our pre-qualification had been rejected on the basis that the net asset test of the Consortium failed the \$US100 million requirement.

We were advised that to reach this decision Proinversion used the Consortium financial accounts for the year ending 30 June 2006 and the AUD:USD exchange rate prevailing at that time. Under that measure the net financial assets of the consortium were \$US98.2 million compared to \$US109 million if the current exchange rate were used and \$US128 million if the 31 December 2006 financial accounts were used.

In addition, if the Consortium's net assets as at 30 June 2006 were re-stated to comply with Proinversion's advice that accounts must comply with the US standard FASB 52 (which was not stated in any official documentation nor advised to the Consortium until over one week after the qualification period had closed) the net assets of the Consortium actually increased to approximately \$US103 million. Proinversion however chose to make their decision final without considering this additional information.

We considered the application of an exchange rate nearly 10 months old most unreasonable and re-iterate that it was applied without any previous advice. We also noted to Proinversion that it significantly disadvantaged any Australian based bidders because competitors based in Europe, Canada and the United States, were, as we understand, determined for inclusion based on their 31 December 2006 balance sheets.

Post the official closing date for pre qualification we received notification that Proinversion were intending to reject our application. As a consequence we made urgent representation to the Government of Peru and to the board of Proinversion to reverse this intention. In support of our representations that the Consortium exceeded the financial requirements we provided to Proinversion supporting letters from Australian auditors and major banking groups.

Despite these representations and those made on our behalf by the Australian Consular office in Peru, Proinversion refused our application and therefore denied our Consortium the ability to bid.

It is particularly galling to learn after the bid process had been completed that our intended bid would have been sufficient to have won.

In my opinion the Latin Gold Consortium satisfied all of the conditions as required by the pre-qualification bid documentation. The decision therefore to exclude our Consortium from the bid was in my opinion without any legal or commercial justification and raises, in my mind at least, questions regarding the integrity of the Bid Pre-qualification process.

Set backs for junior exploration companies are part of the business we are in. However, at Latin Gold we have always tried to provide our shareholders access to projects with significant upside and to come so close to securing Michiquillay and to be thwarted in such a manner is difficult to accept without comment.

Despite this setback the Directors of Latin Gold will continue in their efforts to locate a mining project which will provide a significant benefit to all shareholders. Our track record over the past few years has been one of active exploration and the many projects we have drilled have always had the potential to be a company maker.

Whilst it is still early days, exploration at the Paron project has shown some promise and we will keep shareholders advised of the projects progress, particularly the results of the current scoping study.

Yours sincerely,



Peter McAleer  
Chairman

---

**Australia:**

Level 1, 89 St. George's Tce. Perth, Western Australia 6000  
Mailing Address; G.P.O Box 2508, Perth, Western Australia, 6001  
Telephone 61-8-9481 3000; Facsimile: 61-8-9481 2200; Mobile 61-419 537 714;  
Email:jim.malone@iinet.net.au

**Peru:**

Calle El Rosario359-B, Miraflores, Lima 18, Peru  
Telephone 51-1-446-5522; Facsimile 51-1-447-1225; Mobile 51-1-97888855; Email:simon.titchener@iinet.net.au.