



ABN 43 059 457 279

## **Third Quarter Activities Report** **for the period ending 30 June 2009.**

### **Summary**

During the June quarter the Company continued to progress studies at the Paron Gold project located in Peru.

In the March quarter the application for the Category Two permit was reviewed by the designated authorities and Latin Gold was required to provide additional information on a range of areas, mostly related to base line environmental studies. These requirements were completed and the permit re-submitted for approvals.

On 30 July 2009 the Company was advised that the Category Two permit had been approved. This is a very significant step in the development of the Paron Gold project.

During the March quarter the Company also arranged for an independent group to review and audit the technical work completed to date by the Company, particularly the resource definition and grade. This work was completed in the current quarter and endorsed all previous work and procedures carried out by Latin Gold consultants over the Paron project.

Latin Gold continues to maintain a high level of dialogue with the local community to ensure that all parties that could be affected by a mining development are kept fully engaged.

In the December quarterly report we reported that the Company was assessing a number of unsolicited expressions of interest in purchasing or joint venturing the Paron Gold project. During the March and June quarters a number of parties were invited to review the project and provided with access to the data room. Latin Gold will continue to keep shareholders informed should offers be received that properly reflect the value of the project.

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## The Paron Gold Project

The Paron Gold project (100%) is located in the Department of Ancash 470km from Lima, in Peru.

In October 2006 a 25 hole diamond drilling campaign was commenced over the main target area. The results of this programme, together with those of the previous two drilling campaigns showed that Paron had the potential to host a near surface economic gold deposit. As part of the programme an initial inferred JORC resource of 3,040,000 tonnes at 2.2 g/t for a contained 220,000 ounces of gold was estimated. Silver grades were determined to be 7.4 g/t, equivalent to an insitu silver resource of 733,000 ounces.

Drilling also highlighted the possibility of an increased tonnage to the north-west where the boundary of the mineralised zone remains open. Drill rig limitations however caused the testing of this area as well as a porphyry target at depth and possible faulted extension to the outcropping mineralization. The significant exploration upside of the project therefore remains untested.

Following on from the drilling programme and initial resource estimation an in-house “scoping study” to determine the potential economics of the development of Paron was commenced in early 2007. The results of this study were very encouraging and as a result the Board commissioned an independent Peruvian based consulting group to undertake a pre-feasibility study.

This study was completed in June 2007. The study included extensive new metallurgical test work, a detailed mine planning study, financial modeling, and a review of various development options and their potential demographic and environmental impact.

As part of the study a geological model and resource estimation was completed. Based on a 0.8 g/t gold cut-off the diluted JORC resources at Paron were estimated to be:

Cut off grade	Measured and Indicated	Inferred	Total
0.8 g/t	5,576,500 @ 1.60 g/t gold, 7.0 silver	623,450 tonnes @ 1.6 g/t gold, 7.0 g/t silver	6,200,000 tonnes @ 1.6 g/t gold, 7.0 g/t silver
Metal content	286,341 oz gold 1,252,743 oz silver	32,013 oz gold 140,056 oz silver	318,354 oz gold 1,392,799 oz silver

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The financial modeling has been based on the following parameters:

- Heap leach operation
- Treatment rate of 3,000 tonnes per day (1.06 million tonnes per annum)
- Mine Life of 6 years
- Diluted head grade of 1.6 g/t gold and 7g/t silver
- Gold recoveries of 80%, silver recoveries of 40%
- Annual Production rate of 43,000 ozs gold and 92,000 ozs silver
- Waste to Ore ratio of 1:1
- Capex of \$US30 million (includes a 25% contingency) and a company owned plant and mining fleet
- Based on this modeling and a gold price of \$US625/oz the Paron project has an IRR of 35% and will return an estimated EBITDA of around \$US13.2 million (\$A20 Million) on an annual basis for 6 years.
- Attached is a table showing the IRR and NPV of the project at various gold prices

Gold Price/oz	Annualised EBITDA	IRR	NPV
\$US850	\$US22.6m	57.3%	\$US45.6m
\$US800	\$US20.5m	52.5%	\$US40.5m
\$US750	\$US18.4m	47.6%	\$US35.4m
\$US700	\$US16.3m	42.7%	\$US30.3m
\$US650	\$US14.2m	37.7%	\$US25.2m
\$US600	\$US12.2m	32.5%	\$US20.1m

Cash production costs were estimated at a gold equivalent \$US223/oz (\$A338/oz) and total production costs (including all capex) at a gold equivalent \$US324/oz (\$A490/oz).

Latin Gold remains highly encouraged by the results of the pre feasibility study as it confirmed the potential of the project to be a highly profitable gold and silver operation. In addition there appears to be considerable upside from higher metallurgical recoveries and the very conservative estimated capital cost. For example the capital estimation is based on the purchase of all new equipment and a company operated mining fleet and processing plant, as well as US\$6 million contingency for mine rehabilitation.

The Company, on 12 December 2007, paid the last option payment of USD\$960,000 to the owners of the project to secure 100% of the project.

## Corporate

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The company had cash holdings of approximately AUD\$220,000 as at 30 June 2009.

Latin Gold currently has 161,576,434 shares on issue.

Yours faithfully,

Jim Malone  
Managing Director

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*Information in this report has been reviewed by a Competent Person as defined in the JORC Code, being Mr Howard Dawson who is a member of the Australian Institute of Geoscientists, with over 25 years experience in the mining industry and who has sufficient experience in mineral resource estimation relevant to the style of the mineralisation and type of deposit under consideration and to the activity to which he is undertaking, and consents to the inclusion in the public release of the matters based on their information in the form and context in which it appears.*

*The resource estimation was prepared by Thomas Guerrero Mendez, who is registered with the Lima stock exchange as a qualified person to sign geological reports under the JORC code.*

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