



LAGUNA RESOURCES NL

ASX Release

17 October 2011

LAGUNA RESOURCES NL
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Issued Capital:
Approximately 9.9 million shares

ASX Symbol: LRC

Website:
www.lagunaresources.com

SEPTEMBER 2011

QUARTERLY REPORT

Highlights:

- Arqueros Project renamed Nueva Esperanza Project to reflect the incorporation of the Esperanza and Chimberos mining leases.
- Updated Mineral Resources for Nueva Esperanza have been estimated for all three deposits; namely Arqueros, Chimberos and Teterita.

- Total Mineral Resources (Indicated and Inferred) at a 0.5 g/t gold equivalent cut-off grade are:

28.5 million tonnes at 0.25 g/t gold and 78 g/t silver

229,000 oz gold & 71.3 Moz silver

which at a gold/silver equivalent ratio of 45 (EQ45) are:

1.81 million gold equivalent ounces at 2.0 g/t Au eq or,

82 million silver equivalent ounces at 89 g/t Ag eq.

- 80% of the estimated resources at the Arqueros deposit are now classified as Indicated.
- Extreme weather conditions in the high desert reduced work output at site in late July and all of August.
- The project team is making excellent progress towards completing the feasibility study and making a decision to mine in Q1 2012. The conceptual plan for the project is for the construction of a +2 Mtpa processing plant, +8 year mine life and first production in late 2013.

NUEVA ESPERANZA PROJECT

The Arqueros Project was renamed Nueva Esperanza to reflect the incorporation of the Esperanza and Chimberos mining leases, and to avoid confusion with the Arqueros deposit. The Nueva Esperanza Project is based on gold and silver mineralised deposits located within the Esperanza high sulphidation epithermal system of the Maricunga of northern Chile. It is approximately 20 kilometres north of Kinross Gold Corporation's La Coipa gold and silver mining complex, and is in feasibility study. The Company also has two exploration projects and several prospects focused on gold, located in the southern Maricunga.



Figure 1. Location of Laguna Resources' Nueva Esperanza project in Northern Chile

Resource Upgrade

The combined Indicated and Inferred mineral resource (Table 1) for Nueva Esperanza is based on resource block modelling of Arqueros, Chimberos and Teterita, and has been estimated at a cut-off grade of 0.5 g/t gold equivalent to be:

28.5 million tonnes at 0.25 g/t gold and 78 g/t silver

This represents approximately 229,000 ounces of gold and 71.3 million ounces of silver.

The Indicated and Inferred resource of Nueva Esperanza may be expressed in gold or silver equivalent ounces as:

Gold equivalent ounces (EQ45): 1.81 million ounces at 2.0 g/t gold equivalent, or
Silver equivalent ounces (EQ45): 81.6 million ounces at 89 g/t silver equivalent

The Inferred resources at Chimberos and Teterita will remain outside of the scope of the feasibility study until they are converted into Indicated resources. With that objective 7,350 metres of reverse circulation and diamond drilling has commenced.

Table 1. Mineral Resource estimate for Nueva Esperanza at 0.5 g/t gold equivalent cut-off grade announced in August 2011.

	Indicated			Inferred			Total				
	Mt	Au g/t	Ag g/t	Mt	Au g/t	Ag g/t	Mt	Au g/t	Ag g/t	Au Moz	Ag Moz
Arqueros	16.0	0.32	81	4.0	0.3	50	20.0	0.32	75	0.20	48.1
Chimberos				3.7	0.2	85	3.7	0.20	85	0.02	10.1
Teterita				4.8	0.0	85	4.8	0.01	85	-	13.1
Total	16.0	0.32	81	12.5	0.2	74	28.5	0.25	78	0.23	71.3

Gold Equivalent	Indicated		Inferred		Total		
	Mt	Au Eq g/t	Mt	Au Eq g/t	Mt	Au Eq g/t	Au Eq Moz
Arqueros	16.0	2.12	4.0	1.4	20.0	1.98	1.27
Chimberos			3.7	2.1	3.7	2.09	0.25
Teterita			4.8	1.9	4.8	1.90	0.29
Total	16.0	2.12	12.5	1.8	28.5	1.98	1.81
Silver Equivalent							
	Mt	Ag Eq g/t	Mt	Ag Eq g/t	Mt	Ag Eq g/t	Ag Eq Moz
Arqueros	16.0	95	4.0	64	20.0	89	57.2
Chimberos			3.7	94	3.7	94	11.2
Teterita			4.8	85	4.8	85	13.2
Total	16.0	95	12.5	81	28.5	89	81.6

Notes: Moz = million ounces.

1. In situ density 2.0 t/bcm, based on 350 measurements at Arqueros. This is lower than previously used 2.2 t/bcm
2. Gold equivalent on basis of gold/silver revenue ratio of 45; calculated as Au + Ag/EQ (gold plus [silver divided by 45])
3. Silver equivalent on the basis of gold/silver revenue ratio of 45; calculated as Au*EQ + Ag ([gold times 45] plus silver)
4. EQ = (Price Gold * Recovery Gold) / (Price Silver * Recovery Silver)
5. Price basis US\$1250/oz Au and US\$30/oz Ag
6. Metallurgical recovery basis 85% Au and 78% silver.
7. Rounding of numbers may generate rounding errors

Feasibility Study

Coffey Consultaria e Servicios, a division of Coffey International Limited was appointed Feasibility Study partner for the development of the Nueva Esperanza mining complex. Stage 1, which was the trade-off study, was completed in July 2011 and Stage 2 is in progress with the draft feasibility study due in early 2012. Process design, mine and infrastructure planning, environmental base line and the geotechnical assessment for mine installations are on-going.

Extreme weather in late July and all of August reduced field activities to the minimum. Work has now resumed with vigour, including the taking of 3.5 tonnes of 32 bulk samples for metallurgical tests.

The feasibility study is currently considering just the Arqueros deposit, with the Chimberos and Teterita deposits to be incorporated following completion of drilling now in progress. Based on current information, it is expected that Teterita (and potentially Chimberos) will supply the mill feed for the first 2-3 years of production given a likely lower strip ratio and the

ability to defer the required pre-strip from the Arqueros deposit. Given negligible gold content in these deposits, metal production during this phase will be primarily silver.

Esperanza Prospects

The Esperanza mining lease, which surrounds Arqueros, includes a number of small mineralized silicified bodies apart from the Teterita silver deposit. Historical drilling has indicated the presence of high grade gold and silver intersections in some of these ledges. There is also a low grade gold mineralized porphyry intrusive on the property. The information on these prospects is incomplete and unverified. It is a priority for the Company to obtain the missing data and assess these occurrences for the presence of potentially economic mineralization.

GOLD EXPLORATION PROJECTS (Southern Maricunga)

The Company has two gold exploration projects and a small number of untested prospects located in the southern Maricunga. The status of the more advanced projects is as follows:

Maricella (porphyry gold-copper): The option on Maricella was renewed earlier in the year, and as soon as field conditions are safe, geochemical and geophysical work will continue on this property in order to define drill targets.

Cachitos (epithermal gold): Follow-up work on the earlier drainage geochemistry will commence shortly, with detailed mapping, basic geophysics and further geochemistry planned to test the siliceous zone for mineralisation.



Nicholas Lindsay,
Managing Director,
Laguna Resources NL

CONSENT

Dr Nicholas Lindsay is the author of this document. He is a Member of the Australian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Lindsay is the Managing Director of Laguna Resources NL and consents to the inclusion in this release of the matters based on his information and information presented to him in the form and context in which it appears.

COMPETENT PERSONS

The information in this report that relates to mineral resource estimation is based on work completed by Mr Jonathon Abbott who is a full-time employee of Hellman & Schofield Pty Ltd and a member of the Australasian Institute of Mining and Metallurgy. Mr Abbott has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Abbott consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to data quality, comments on the resource estimates and economic potential of the estimated resources is based on information compiled by Mr Ron James who is a member of the Australasian Institute of Mining and Metallurgy. Mr James has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr James consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

LAGUNA RESOURCES NL

ABN

36 008 460 366

Quarter ended ("current quarter")

30 September 2011

Consolidated statement of cash flows

		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(2,932)	(8,599)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(669)	(1,569)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	13
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	(4)
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(3,600)	(10,159)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	(949)
	(b) equity investments	-	-
	(c) other fixed assets	(47)	(254)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		(47)	(1,203)
1.13	Total operating and investing cash flows (carried forward)	(3,647)	(11,362)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,647)	(11,362)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	3,690	10,305
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	3,690	10,305
	Net increase (decrease) in cash held	43	(1,057)
1.20	Cash at beginning of quarter/year to date	509	1,744
1.21	Exchange rate adjustments to item 1.20	(6)	(141)
1.22	Cash at end of quarter	546	546

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	97k
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors consulting fees and Directors fees - \$97k

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	4,008
		10,992

+ See chapter 19 for defined terms.

3.2	Credit standby arrangements	-	-
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Estimated cash outflows for next quarter

		\$A'ooo
4.1	Exploration and evaluation	3,041
4.2	Development	-
4.3	Production	-
4.4	Administration	496
Total		3,537

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	546	509
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		546	509

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	9,892,589	9,892,589		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Other securities Partly paid shares Equity participation shares	1,156 16,729			
7.8	Options <i>(description and conversion factor)</i> - Employee			<i>Exercise price</i>	<i>Expiry date</i>
		40,000		\$1.25	31/12/12
		40,000		\$3.75	31/12/12
		240,000		\$3.125	31/12/14
7.9	Issued during quarter				
7.10	Exercised during quarter				
7.11	Expired during quarter				
7.12	Debentures <i>(totals only)</i>				
7.13	Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 5\)](#).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:

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(~~Director~~/Company secretary)

Date: 17 October 2011

Print name:

Ross Coyle

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** [ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic \(if any\) must be complied with.](#)

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