

**Quarterly Activities Report**  
**for the period ending 31 December 2009.**

**Summary**

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

This work included commissioning an update of the pre-feasibility study in light of the higher gold price.

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

On 23 October 2009 Latin Gold closed a 1 for 1 rights issue at \$0.01 that raised \$1,615,764 for the Company, before expenses.

**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 completed over Paron. The results of this programme, together with those of the previous two historic drilling campaigns formed part of the data base used to carry out a pre-feasibility study during 2007 and 2008.

As part of the pre-feasibility 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 are estimated to be:

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<b>Cut off grade</b>	<b>Measured</b>	<b>Indicated</b>	<b>Inferred</b>	<b>Total</b>
0.8 g/t	4,918,200 tonnes @ 1.57 g/t Au, 7.0g/t Ag	658,350 tonnes @ 1.81 g/t Au, 7.0 g/t Ag	623,450 tonnes @ 1.6 g/t Au, 7.0 g/t Ag	6,200,000 tonnes @ 1.6 g/t Au, 7.0 g/t Ag
Metal content	248,282 oz gold 1,106,990 oz silver	38,316 oz gold 148,182 oz silver	32,013 oz gold 140,056 oz silver	318,354 oz gold 1,392,799 oz silver

A detailed financial model of Paron was undertaken as part of the pre-feasibility study. This study was based on the following operational 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 financial model and a gold price of \$US800/oz the Paron project has an IRR of 43.4%, a net present value of \$US33.4 million (using a 10% DCF) and it is estimated will return an EBITDA of \$US17.1 million on an annual basis for 6 years.

Cash production costs were estimated at a gold equivalent \$US223/oz (\$A269/oz) and total production costs (including all capex) at a gold equivalent \$US324/oz (\$A390/oz).

The pre-feasibility study confirmed the potential of the Paron project to be a highly profitable gold and silver operation with considerable upside through higher metal prices and a significantly lower capital cost through the use of contractors, rather than a self owned and managed mining fleet and infrastructure. There also appears to be potential to achieve much higher metallurgical recoveries in an actual operation than projected in the pre-feasibility study.

The Category Two permit was awarded in late July 2009 and this is regarded as a major achievement for the Company. This permit effectively allows all required activities up to commencement of mining and has added significant value to the project.

In addition, Latin Gold has pegged additional claims near Paron to provide alternate sites for the proposed treatment facilities. This new site is distal to the local farm areas

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whilst still being proximal to the actual Paron deposit. The use of this site is expected to marginally increase the cost of production through the addition of trucking costs, but could reduce capital expenditure by 10-15%.

Latin Gold owns 100% of the Paron project. Work completed to date indicates that the project has significant potential to be developed as a gold and silver operation with very attractive financials.

### **Corporate**

The Company had cash holdings of approximately \$1.4 million as at 31 December 2009.

Latin Gold has 323,152,868 shares on issue, post completion of the rights issue.

Yours faithfully

Jim Malone  
Managing Director

### **For further information contact:**

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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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