



ABN 43 059 457 279

First Quarter Activities Report **for the period ending 30 September 2008**

The Directors of Latin Gold Limited ("Latin Gold") present the following activities for the quarter ending 30 September 2008;

- **Company continues to work towards obtaining Category Two exploration permit for the Paron Gold project.**
- **Company encouraged by a number of unsolicited expressions of interest in purchasing the Paron Gold project.**
- **Company continues to review a number of resource projects in Australia and abroad**

Paron Gold project

During the quarter ended 30 September 2008, Latin Gold continued to progress towards obtaining the Category Two exploration permit for the Paron Gold project in Peru.

The Category Two permit is required to allow the Company to progress through the final feasibility studies with a view to the eventual mining of the Paron project.

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The awarding of Category Two permits is taken very seriously by INRENA, the Peruvian government body responsible for issuing these permits. This is because a Category Two is far more important than a normal drilling permit; it is considered the first and indeed a major step towards development and the issuing of all the future required permits that lead to the establishment of a responsible mining operation.

No major work (construction, earth works, drilling) is permitted until we have obtained this permit. The reason for the delays in obtaining this permit includes;

- In the past quarter new and more stringent requirements were distributed by the Government for both Category One and Two exploration permits.
- INRENA and other related government departments are being incorporated into a new “Environmental Ministry” in what appears to be a major beurocratic re-shuffle which has resulted in delays issuing permits.
- There has also been a dramatic increase in exploration permits being sought in Peru by various exploration companies; the system is heavily overloaded and the delays in permitting are not unique to Latin Gold. Our management in Lima have spoken to many other companies in Peru who are experiencing the same delays.

We are hopeful of obtaining this permit during this quarter.

During the quarter the company was encouraged by a number of unsolicited expressions of interest in purchasing the Paron Gold project. Although none of these expressions of interest have yet to materialise into a serious offer, we have shown a number of parties over the Paron project and will keep shareholders informed should any offers be received that reflect the value of the project.

Operating Costs

Latin Gold operates on a very cost effective basis. Nevertheless, as a result of the delays experienced in securing the Category Two permit and the current malaise being experienced in global financial markets we have undertaken a review of all costs within the Company. As a result Directors fees have been further wound back to \$1,000 per month per Director, including executives. In addition the engagement of technical consultants has been suspended and we would expect this to continue

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into the second quarter. This reduction in company expenses will be reflected in the 5B which was released in conjunction with this activities report.

New projects

The Directors, whilst acutely aware of the difficult financial markets that are being experienced and whilst not taking their focus off the development of the Paron Gold project, continue to actively review other resource projects. As one would expect given the current market conditions, the number of these projects coming over our desks is increasing. During the quarter for example the company reviewed a range of Australian and overseas based projects with considerable efforts spent evaluating an Indonesian based coal project and an advanced Australian magnesia project.

The Paron Gold project-Background

The major asset of Latin Gold is our 100% owned Paron Gold project, located in the Department of Ancash 470km from Lima, in Peru.

In October 2006 a 25 hole diamond drilling campaign took place at Paron. The results of this programme, together with those of the previous two drilling campaigns showed that Paron has potential to host a near surface economic gold deposit. As part of the programme the initial JORC resource was calculated, which was an inferred resources of 3,040,000 tonnes at 2.2 g/t for a contained 220,000 ounces of gold. 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. Unfortunately, we were unable to test for the porphyry at depth as well as for the faulted extension to the outcropping mineralization. This means, however, that the exploration upside of the project remains untested.

Following on from the drilling programme and initial resource estimation, the Board of Latin Gold decided in early 2007 to undertake an in-house “scoping study” to determine the potential economics of the development of Paron. 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.

In June 2007, we were presented with the Pre-feasibility study. The study included extensive new metallurgical test work, a detailed mine planning study, financial

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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

The financial modeling has been based on the following parameters:

- Heap leach operation
- Treatment rate of 3,000 tonnes per day (1.06 million tones 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 (\$A15.9 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

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

We remain highly encouraged by the results of the pre feasibility study as it has confirmed the potential of the project to be a highly profitable gold and silver operation and there appears to be considerable upside from the study completed in that metallurgical recoveries could be higher and the estimated capex number 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. To expedite the development of the Paron project, Latin Gold has already commenced the definitive feasibility study (“DFS”) with the engagement of various Peru based consultants and the calling of drill tenders.

Corporate

The company had cash holdings of \$513,000 as at 30 September 2008.

Latin Gold currently has 161,576,434 shares on 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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