18 September 2014

Letter to Shareholders

Dear Fellow Shareholders

Laconia Resources Limited (ASX:LCR) (**the Company** or **Laconia**) recently announced a non-renouceable rights issue[1]. The Board of Directors, as fellow shareholders, takes this opportunity to provide the following exploration and corporate update on developments and progress on its Kimsa Orcco copper-gold–silver Project in Peru. The directors recommend you read all supporting documentation on the entitlement issue and commend the issue to you.

Use of Funds

At this stage it is intended that the funds raised by the non-renounceable rights issue will contribute to working capital as well as be used to execute following exploration programs:

1. Surface sampling at the Northern Kimsa Orcco prospects along with further mapping, sampling and spectral analysis to identify any surface mineralisation (copper, gold or silver), and to characterise alteration zones to test the copper porphyry exploration model.
2. Geochemical survey of the Favi Vent zone, including soil sampling, repeat channel sampling and additional channel sampling, to define the alteration (volcanic) centre and to identify additional zones of copper-gold-silver mineralisation.
3. Geophysical survey of Northern Kimsa Orcco tenements and interpretation in conjunction with geochemical sampling, mapping.
4. Drilling of epithermal copper-gold-silver targets at the Favi Vent Zone after the geochemical survey has been completed, and the results incorporated into the geological model for the area. Knowledge gained from the first drill program program will be applied to the design for a larger drill program with the objective of greater success in targeting a large mineralised porphyry body.
5. Drilling of deeper porphyry targets.

[1] *Refer ASX Release 12 September 2014*

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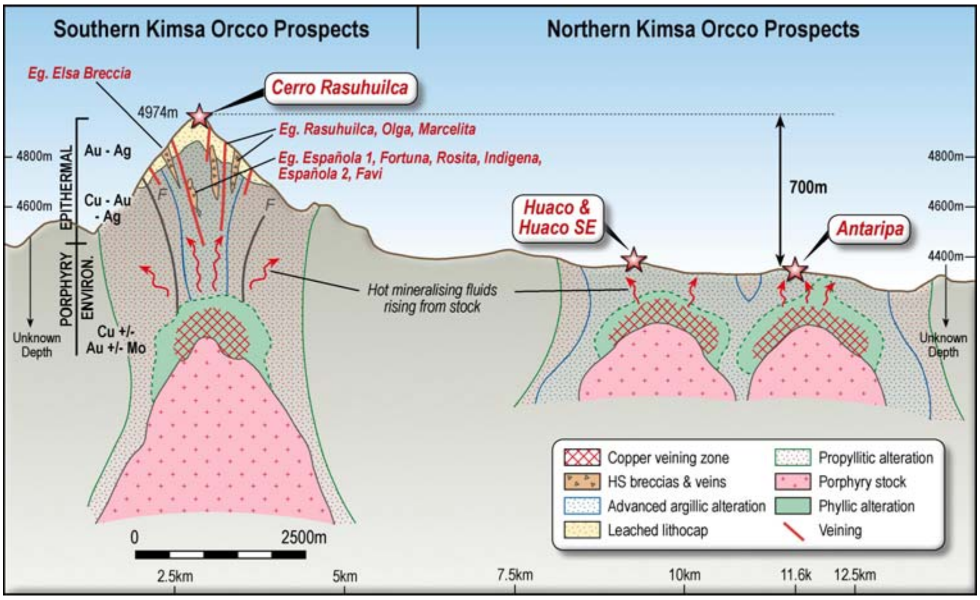

Figure 1: Schematic diagram of the porphyry exploration model at the Kimsa Orcco Project, showing alteration and metal zonation. Some examples of prospects already identified are shown. This image contains vertical exaggeration.

Recent Developments

Laconia has been very active over the last 12 months with a number of significant milestones reached including the notable success of gaining social licence and drill permitting over its Kimsa Orcco copper-gold-silver project in southern Peru.

The Kimsa Orcco Project now has three elements to consider with multiple mineralisation styles and opportunities:

- Bulk tonnage copper-gold in an underlying porphyry stock.
- High-grade gold-silver with the potential to rapidly increase the resource tonnage at the Rasuhuilca resource.
- High-grade copper-gold-silver identified over a strike length of > 800m with the potential to bring into a near surface epithermal copper-gold-silver resource.

The Kimsa Orcco Project was initially considered a small but high-grade gold-silver resource when purchased in 2012. The potential for large blue sky porphyry potential was recognised but Laconia considered any real progress toward exploring this would be a number of years away and initially concentrated its efforts in understanding mineralisation at its Rasuhuilca gold-silver resource.

What has become apparent through an exhaustive and comprehensive review of all available data is that that the porphyry potential is very much closer and very much greater than we initially hoped. This has led to the Board and management taking a strategic decision to focus on the copper-gold-silver potential of the Project.

The existing gold-silver resource at the Rasuhuilca Deposit was considered a worthy prize, and indeed still is and growing, can now can be considered a symptom of and enormous mineralised system albeit a very valuable symptom. Hochschild Mining Plc's (LON: HOC) has major operating silver and gold operations are also based in the same region as the flagship Rasuhuilca Project. Hochschild has Reserves and Resources exceeding 186 million silver ounces and 1.1 million gold ounces[2].

[2] *Refer Hochschild Mining PLC Annual Report 2011.*

Ongoing geological evaluation and field work has defined further areas prospective for epithermal copper-gold-silver mineralisation in the part of the southern portion of the greater Kimsa Orcco Project, namely the Favi Vent Zone. The zone has more than 1 km of strike length of quartz-sulphide veining plus breccia pipes prospective for copper-gold-silver mineralisation, with some high-grade occurrences of lead, zinc and tellurium. Vein systems at the Favi Vent Zone are priority drill targets for work programs planned following positive results from adit and surface sampling by Laconia during 2014.[3]

Figure 2: Re-opening Española 1 4805 adit

San Valentin veins are the latest additions to the process of evaluation of the Kimsa Orcco Project, further highlighting the outstanding calibre of mineralisation within the Favi Vent Zone.

The association of Tellurium with the high-grade Gold-Silver-Copper is very significant.

The addition of the San Valentin veins [4] combined with hydrothermal breccias identified at Breccia 18[5] and other high-grade prospects supports Laconia's view that a stand-alone copper-gold-silver deposit is present at the Favi Vent Zone and is possibly overlying a large porphyry system at the Kimsa Orcco Project.

Hydrothermal breccias are often associated with the intrusive process of porphyry copper bodies, and are typically situated on the margins of porphyry systems. The addition of this veining to the Favi Vent Zone portfolio adds significantly to the known copper-gold-silver-tellurium veining, culminating in over 1 km of strike length .

It is Laconia's intention to drill high-grade copper targets leading to deeper porphyry targets in its own right and the Company is defining the drilling program through a systematic approach of surface sampling and geological mapping. Geophysical methods are being evaluated to further define targets for deeper drilling targeting a bulk tonnage porphyry stock. Additionally, Laconia believes drilling for high-grade copper with its association with high-grade precious metals will also add to the existing gold-silver inventory.

Exploration is inevitably an evolutionary process dependent on results and success. As we have delved further and deeper into the Project, at every juncture we have been positively surprised by the exploration potential and quality of the Project.

Joint Venture Interest

Since acquiring the Kimsa Orcco Project in 2012, Laconia has recognised the Kimsa Orcoo Project to have the potential for size and scale far exceeding its initial expectations. This Project size and scale has attracted the interest of a number of internationally focussed copper companies. Following unsolicited approaches from entities seeking to conduct due diligence on its Kimsa Orcco Project Laconia initiated a

[3] *Refer ASX Release 16 September 2014*

[4] *Refer ASX Release 16 September 2014*

[5] *Refer ASX Release 31 July 2014*

virtual data room during the September Quarter 2013[6] to allow interested parties to access technical data under relevant confidentiality agreements. Several groups having signed a confidentiality agreement have now conducted sites visits to further evaluate the Project and complete Due Diligence. Laconia is actively managing this process.

This corporate interest validates Laconia's view of the enormous exploration scope and scale it has identified at its Kimsa Orcco Project. These developments follow Laconia's recent community agreements securing Social Licence over the Project area and granting of all permitting required for drilling[7].

Over coming months the Laconia Board believe shareholder value can be most sensibly advanced by concluding a Joint Venture agreement and using the resources of a larger and strongly resourced copper focussed company to advance the exploration programme for a large scale mineralised porphyry system. In the interim it is Laconia's strategy is to further advance the Project in its own right through its ongoing geological evaluation and target generation and initial drilling programs.

Social Licence and Drill Permitting

The recent achievement in securing Social Licence[8] and Drill Permitting is considered a major value uplift for the Company and has been reflected in increased corporate interest generated immediately after gaining these critical approvals.. Any project, anywhere in the world requires social Licence. This is now a valuable asset for the Company and this corporate interest validates Laconia's view of the enormous exploration scope and scale it has identified at its Kimsa Orcco Project.

Existing Gold-Silver Resources

The gold-silver resource which was our initial interest remains and it is Laconia's view this can be substantially increased relatively cheaply by verification sampling and re-estimation. Extensive work has been completed in remodelling the resources and understanding the controls of mineralisation. Additionally exploration targets have been identified which Laconia will endeavour to bring into a JORC compliant Mineral Resource. Additionally Laconia believes drilling for high-grade copper with its association with high-grade precious metals will have the added benefit of increasing the gold-silver inventory.

The Project

The sheer size of the potential prize at Kimsa Orcco brings its own problems and challenges for a junior explorer, particularly within the framework of a resource capital market which has been starved of exploration funding. We believe it is the role and function of junior exploration companies to seek and explore for large company making deposits and it is Laconia's view it has just such a deposit with the Kimsa Orcco Project. The outlook for copper demand is encouraging and a Project of the quality of Kimsa Orcco is extremely difficult to find.

Recent high-grade results confirm the high quality data base and the data base alone reflects an enormous depth and breadth of data and is generated from amongst other things:

- 40 diamond drillholes
- 3,000 channel samples
- >5km of underground development

To put this in perspective for a junior exploration company to replicate this would represent an investment of over $10m dollars and many years of work; something that would not be even possible in today's investment climate.

Understandably shareholders are keen to see Laconia commence a high impact drilling program. The Board would like to reassure investors that this is an absolute priority for the Company. The Board would like to reiterate that given the exploration history and enormous data base Laconia holds on its Peruvian assets Laconia is targeting actual resource

[6] *Refer ASX September Quarterly Release 30 October 2013*
7 Refer ASX Release 24 April 2014
8 Refer ASX Release 4 March 2014

development that will drive substantial shareholder value.

Future priority exploration will focus on the copper porphyry and high-grade gold-copper skarn (El Indio) potential of the entire system. The El Indio deposit in northern Chile is considered a ‘classic’ high-sulphidation epithermal copper-gold-silver deposit. El Indio produced 4.5 Moz of gold, 25 Moz of silver and 472kt of copper produced from 16.8Mt of ore over 23 years of production[9]**.**

Laconia has secured access to the entire Ccarhuaraso Epithermal System through the Kimsa Orcco Project by its 100 per cent interest the Patacancha tenements and its indirect interest in the Huaco Cucho tenements (seven-year option to earn up to 80 per cent),[10] (refer Figure 1). A schematic representation of the Kimsa Orcco Project alteration zone relative to other known porphyry districts is represented in Figure 2.

In closing, we are genuinely excited to be entering this next phase of exploration at the Kimsa Orcco Project as we are excited about the Project overall. On behalf of the rest of the board, I thank you for your support for the Company to date. Finally, I again commend the Entitlements Rights Issue to you and ask **that your valid acceptances are received no later than 5pm (WST) on the closing date of Tuesday 23 September 2014 in accordance with the instructions on the acceptance form mailed to eligibable shareholders**.

Entitlement Rights Issue

As announced on 28 August 2014 Laconia is undertaking a non-renouceable rights Issue to raise approximately $1.7m through an entitlement rights issue (“Entitlement Rights Issue”). The Entitlement Rights Issue consists of five new Shares for every seven Shares held at an issue price of $0.005 per Share together with one free attaching option exercisable at $0.06 each on or before 30 September 2018 for each new Share subscribed for and issued. An offer Document relating to the rights issue was sent to Eligible Shareholders on 12 September 2014. A copy is available on the ASX’s and on the Laconia website. CPS Capital Group has been appointed as the Lead Manager for the Offer and will manage any entitlement shortfall.

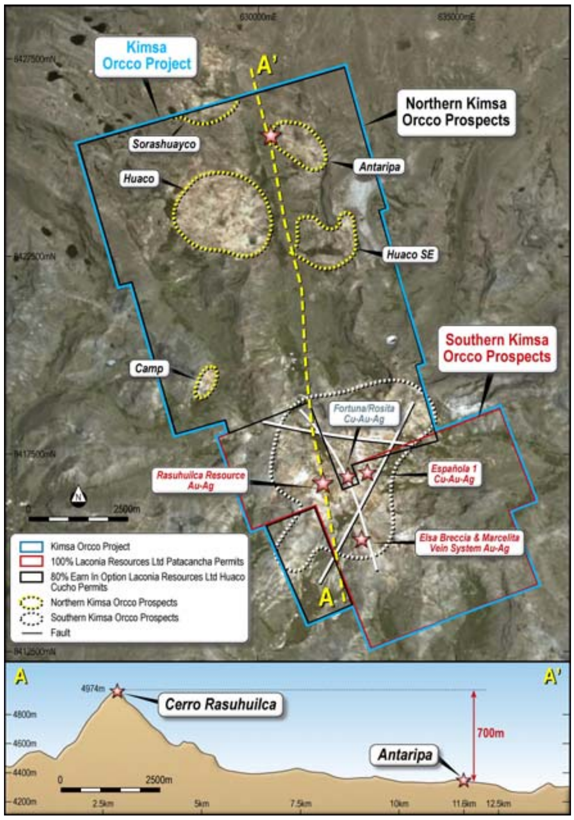

Figure 3: Location of Tenements and Prospects. Note: Cerro Rasuhuilca – Antaripa Alteration Zone long section. This long section is drawn along the glacial valley floor, as marked by the yellow line. The long section contains significant vertical exaggeration to allow for a practical illustration.

[9] *Refer Barrick presentation October 2008 – Spatial and Temporal Zonation at the El Indio Cu-Au-Ag deposit, Chile*
[10] *Refer ASX Release 26 March 2013*

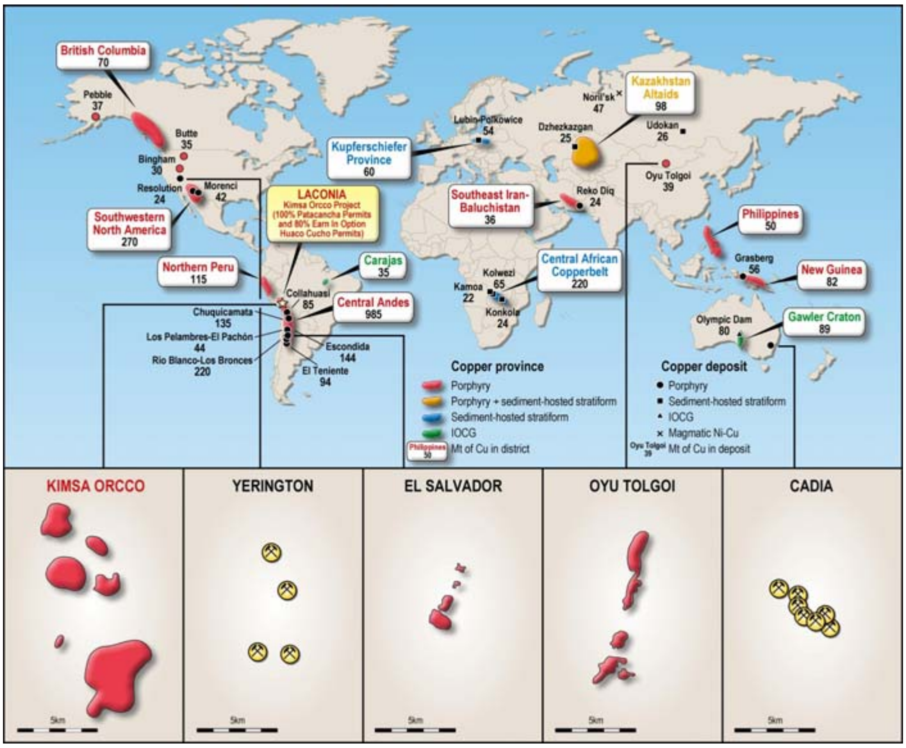

Figure 4: Illustration of the alteration zone distribution at the Kimsa Orcco Project, relative to some known Porphyry Districts in the world, displayed at the same scale. Modified from Hedenquist JW et al; 2012; "Geology and Genesis of Major Copper Deposits and Districts of the World: A Tribute to Richard H. Sillitoe"; Society of Economic Geologists, INC. Special Publication Number 16; p. 2.

For and on behalf of the Board

Yours faithfully

Ian Stuart

Managing Director

*****ENDS*****

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About Laconia Resources Limited

ASX Listed Laconia Resources Limited (ASX: LCR) is a Perth-based precious and base metals exploration and development Company with a Latin American focus. The Company's flagship Kimsa Orcco Project in Peru is an advanced copper-gold-silver project in the Ayacucho region of Southern Peru, across four 100% Laconia Resources Ltd permits covering 27.65 km^2 and a further 11 contiguous permits through an 80% earn in option agreement, covering 56.22 km^2. The total area of 83.87 km^2 hosts the entire Ccarhuaraso volcanic system that is proven to host high sulphidation epithermal copper gold and silver.

In Western Australia, the Company has mineral projects across two granted tenements covering an approximate 98.7 km^2 in the Pilbara and Northern Gascoyne regions.

Compentant Person Statement

The information in this report that relates to Exploration Results is extracted from a report lodged with the ASX titled "High-grade Copper and Precious Metals at Favi Vent Zone" dated 16 September 2014. This report was based upon information compiled by Mr Vincent Algar, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Algar was a consultant for Laconia Resources Limited at the time of preparation. Mr Algar has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Algar consented to the inclusion in these reports of the matters based on his information in the form and context in which they appeared.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The Company confirms that the form and context in which the Competent Person's findings are presented has not been materially modified from the original market announcement.