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**ASX / MEDIA RELEASE**

**PROPOSED ACQUISITION OF ARQUEROS GOLD-SILVER PROJECT IN CHILE UNDER  
OPTION SALES AGREEMENT**

**Transaction Highlights:**

- Southern Pacific Petroleum NL (SPP) offers to acquire Laguna Resources Limited (Laguna).
- Laguna has a staged option sales agreement with Anglo American Norte S.A. (formerly Minera Anglo American Chile Ltda) over the Arqueros Gold Project in the northern part of the Maricunga gold belt of the Atacama Region of Chile. The Maricunga gold belt is a world class gold province with several multi million ounce gold deposits.
- The Company's exploration target for the Arqueros Project is 1 to 2 Moz of gold equivalent. This is based on a target range of 20-40 million tonnes with a grade of 1.5 – 2.0 g/t gold equivalent. The potential quantity and grade is conceptual in nature. There has been insufficient compilation of previous exploration and mining activity to define a Mineral Resource under the JORC Code and it is uncertain if further compilation and exploration will result in the determination of a Mineral Resource.
- The Arqueros Project was mined underground on two levels from 2000 to 2004 by Chilean company Minera Can Can. Approximately 250,000 oz gold equivalent from 1.2 million tonnes of ore was produced during this period. The ore processed had an average grade of 1.34 g/t gold and 364 g/t silver, using a 4.5 g/t gold equivalent cut off.
- The Arqueros Project is linked by an all weather highway to the regional mining service centres of Copiapo and Salvador. Infrastructure in the region is favourable for the development of mining projects.
- Mr Matthew Wood will be appointed as Chairman and Dr Nick Lindsay will be appointed as Managing Director.
- Chile has a highly favourable political and regulatory environment for foreign investment and mining.

## Transaction details

SPP has entered into an Implementation Agreement to acquire 100% of Laguna Resources Ltd (**Laguna**).

Laguna has an option sales agreement to acquire the Arqueros Gold/Silver Project from Anglo American Norte S.A. The price of the option is the amount of US\$2,300,000 plus a Net Smelter Return or minimum royalty which will be paid in installments:

- a) Initial payment - US\$100,000.
- b) US\$200,000 within one year of the Initial Payment.
- c) US\$2,000,000 within two years of the Initial Payment.
- d) Net Smelter Return (NSR) of 3% on the sales or price of transferring mineral products extracted from the mining concessions as calculated in the contract, or a minimum royalty of US\$1,000,000.

The acquisition for 100% of Laguna is being made by offers to the shareholders for a total consideration of \$1,500,000. The consideration is to be satisfied by SPP issuing a total of 250,000,000 ordinary shares and 100,000,000 options exercisable at 1 cent on or before 31 December 2010.

The Arqueros Gold/Silver Project is situated in the Maricunga gold belt. The Maricunga gold belt is a world class gold province with several multi million ounce gold deposits. In 2008, the district produced approximately 450,000 oz gold equivalent from two mines, Maricunga (formerly Refugio) and La Coipa, both operated by Kinross Gold Corporation. Several large scale feasibility level gold projects in the district are in progress, including Cerro Casale (23 Moz gold, Barrick/Kinross), Marte-Lobo (6 Moz gold, Kinross) and Volcan (7 Moz gold, Andina Minerals).

The Arqueros Project is linked by an all weather highway to the regional mining service centres of Copiapo and Salvador. Infrastructure in the region is favourable for the development of mining projects, with good road access and grid power already supplied to large scale mines such as La Coipa (20km to the South) and Marte (60km to the South-East).

The Company's exploration target for the Arqueros Project is 1 to 2 Moz of gold equivalent. This is based on a target range of 20–40 million tonnes with a grade of 1.5-2.0 g/t gold equivalent. The potential quantity and grade is conceptual in nature. There has been insufficient compilation of previous exploration and mining activity to define a Mineral Resource under the JORC Code and it is uncertain if further compilation and exploration will result in the determination of a Mineral Resource.

The Arqueros Project was mined underground on two levels from 2000 to 2004 by Chilean company Minera Can Can. Approximately 250,000 oz gold equivalent from 1.2 million tonnes of ore was produced during this period. The ore processed had an average grade of 1.34 g/t gold and 364 g/t silver, using a 4.5 g/t gold equivalent cut off.

The ore was treated using agitation cyanide leaching and Merrill-Crowe to produce gold-silver doré (bullion). Recoveries of 90% for gold and 80% for silver are reported. A substantial volume of remnant mineralisation remains.

### **Board Appointments**

Subject to shareholder approval of the proposed transaction The Company will appoint two nominees of Laguna to its Board. Mr Matthew Wood will be appointed as Chairman and Dr Nick Lindsay will be appointed as Managing Director. Mr Wood and Dr Lindsay have extensive experience in the resources and corporate sectors which will significantly strengthen and consolidate the Company's board.

Mr Wood has more than 17 years experience in the resource sector with both major and junior resource companies and has extensive experience in the technical and economic evaluation of resource projects throughout the world. Mr Wood's expertise is in project identification, negotiation, acquisition and corporate development. He has a BSc Honours degree in geology from the University of New South Wales (Australia), and a graduate certificate in mineral economics from the Western Australian School of Mines. He is currently a Director of several ASX listed companies.

Dr Lindsay has over 20 years experience in the global mining industry, with focus on the technical and commercial assessment, and the development of new business opportunities in various commodities including copper, gold and iron ore in Australia, Former Soviet Union, South Africa and South America (Chile, Peru and Argentina). He has worked in both the major and junior mining sectors, and as an Independent Consultant based in Chile, a country with which he has a long association. He has a BSc Honours degree in geology and an MBA from the University of Otago (New Zealand), and a PhD from the University of the Witwatersrand (South Africa). Dr Lindsay is a member of the AusIMM.

Mr Gary Steinepreis will remain on the Board of the Company. Mr David Steinepreis and Mr Patrick Burke will retire from their positions as non-executive director.

Mr Scott Funston will be appointed joint Company Secretary.

### **Capital Raising:**

Subject to shareholder approval of the proposed transaction, SPP proposes to make a placement of 15% of its capital being 61,250,000 at 0.6 cents per share to raise \$367,500. Following completion of the proposed transaction and placement, SPP will undertake a non renounceable entitlement issue to shareholders to raise between \$900,000 and \$1,200,000. The terms of this entitlement issue have not yet been agreed.

### Capital Structure on Completion:

<b>SHARES</b>	
Current Shares on issue	408,387,450
Shares under scrip bid for Laguna	250,000,000
Placement	61,250,000
<b>TOTAL SHARES ON ISSUE</b>	<b>719,637,450</b>
<b>OPTIONS</b>	
Current Options on issue	50,000,000
Options under scrip bid for Laguna	100,000,000
<b>TOTAL OPTIONS ON ISSUE</b>	<b>150,000,000</b>

### Shareholder approvals required

A Notice of Meeting is currently being prepared to convene a meeting to approve the transactions and it is anticipated that this will be dispatched to shareholders to hold a meeting in late July / early August 2009.

### Geological Summary and Forward Exploration Plan

#### Geology

The Arqueros Project is hosted within the Esperanza mineralised area (115 km<sup>2</sup>) of the Maricunga district of northern Chile. It is characterised by a series of high sulphidation epithermal (acid-sulphate) systems, associated with NW and NE structures hosted in Tertiary acid volcanics, tuffs and breccias, overlying folded Paleozoic marine sediments, and intruded by dacite stocks. It is part of the Cerro Bravos – Esperanza volcanic complex (25-22 Ma), which is 25 km wide and covers 150 km<sup>2</sup>.

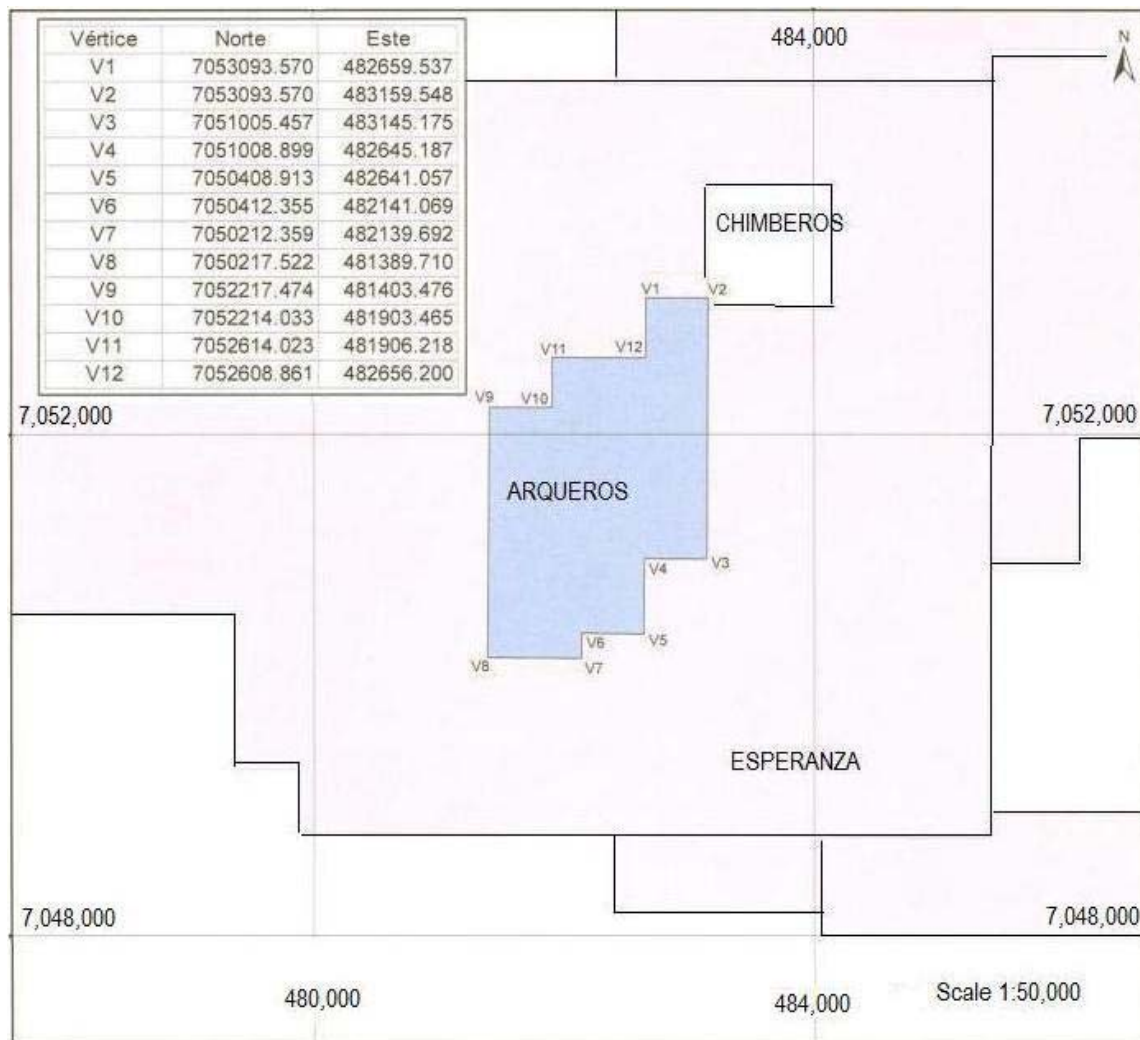
Esperanza contains at least 12 zones of alteration and mineralisation, including Chimberos, Arqueros, Arqueritos, Potosi, Santa Rosa, Cerro Amarillo and others. Not all of these have demonstrated potential for mineralisation. The Chimberos deposit was mined by Mantos de Oro during the 1990s.

The principal local controls for alteration and mineralisation are the presence of dacite and rhyolite porphyry stocks and zones of structural weakness, associated with regional NE, NW and NS structures. Alteration tends to be strongly argillic with kaolinite, cryptocrystalline quartz, and in places barite, alunite and abundant jarosite. Textural destruction is partially complete.

Mineralisation occurs in silicified structures but two distinct domains:

- A sub-horizontal silicified silver mantos style deposit
- A series of sub-vertical gold rich vein style deposits.

The ore mineralogy comprises cerargyrite ( $\text{AgCl}$ ), argentojarosite ( $\text{AgFe}_3(\text{SO}_4)_2(\text{OH})_6$ ), native silver, argentite ( $\text{Ag}_2\text{S}$ ), electrum ( $\text{AuAg}$ ) and native gold in the size range of 0.5 to 50 microns. Other ore minerals include pyrite which is relatively abundant, and traces of chalcopyrite and other base metals.

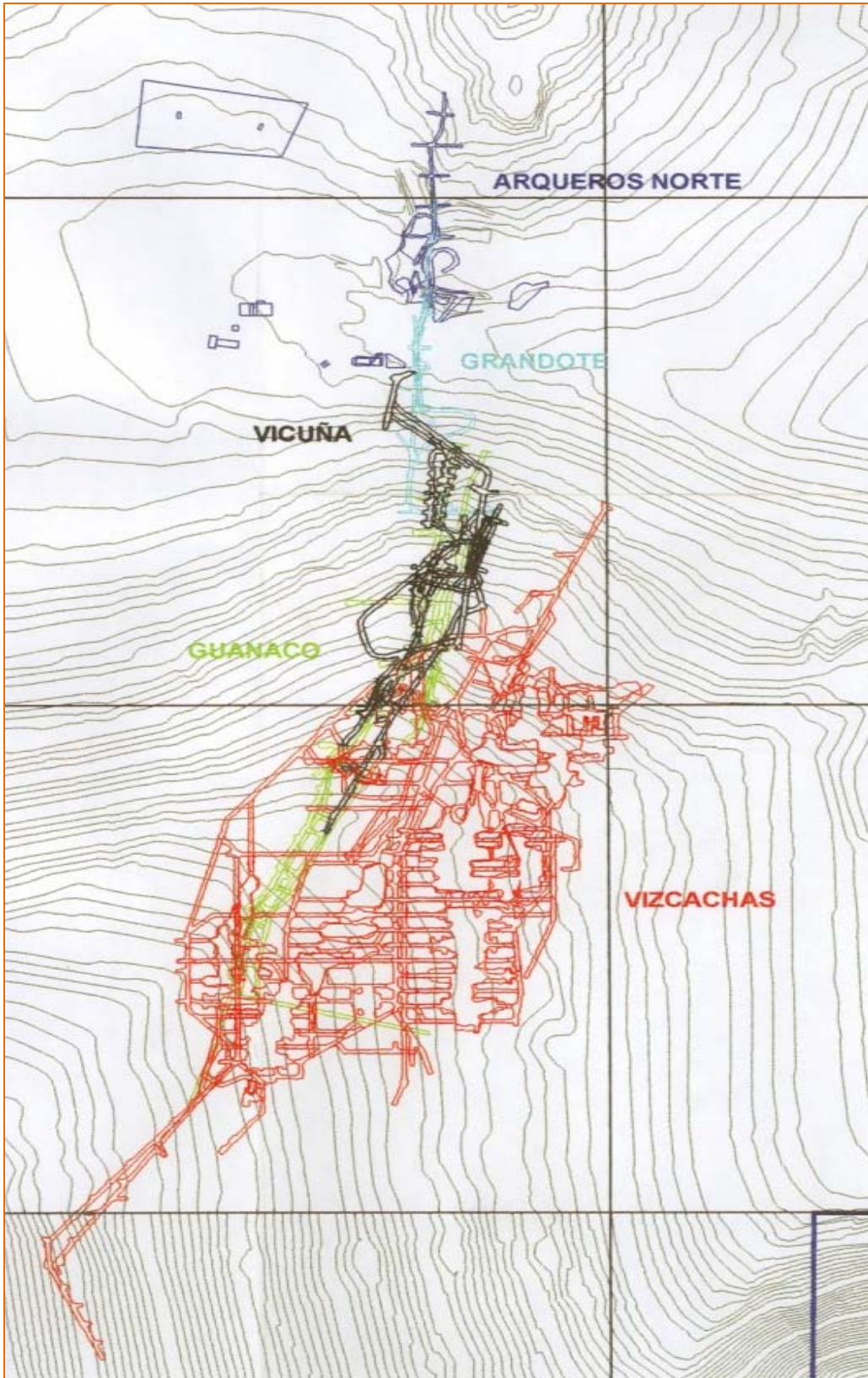


Licence Map – Arqueros Project

### Exploration

Current exploration on the Arqueros Project is focused on generating a maiden JORC resource. Data compilation and formatting for block modeling using existing data is advanced. Drilling for grade validation, new mineralisation and extending the resource is being planned and will commence in the spring followed by conceptual mine planning

and process testing at the end of the 2009. It is expected that the project will be ready for feasibility study within twelve months.



Underground Development at Arqueros Project

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### **About Chile**

Chile is the world's largest producer of copper. It is also an important producer of molybdenum, iron ore, gold and silver. In 2007, Chile produced 41.5 tonnes of gold of which 26.1 tonnes was from gold mining, the balance being largely a byproduct of copper production. Chile also produced 1,936 tonnes of silver, making it the fourth largest producer of that metal.

The country is an established democracy with bicameral parliament and executive president elected every four years; and strong respect for the law. It has a stable mining regime and balanced taxation system. There is no discrimination between foreign-

owned and locally-owned entities, and the security of tenure over exploration and mining leases is strong. Investment capital and profits may be repatriated at any time although withholding taxes apply to dividends and interest. There are free trade agreements with the USA, Canada, Mexico, European Union and China amongst others, and bilateral tax agreements with several countries. All these attributes have encouraged large scale foreign investment in Chile's mining sector for more than 25 years. This has resulted in the development of world class mines such as Escondida, Zaldívar, Spence, Lomas Bayas, Los Bronces, Los Pelambres, Collahuasi, Candelaria, El Peñon, La Coipa, Maricunga and others. Barrick Gold Corporation recently announced the development of the giant Pascua-Lama gold mine, which is estimated to cost US\$3 billion and annually produce approximately 800,000 oz gold and 35 Moz silver in its first five years.

### **Contact Information**

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#### *Competent Persons Statement*

*The information in this report which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Nicholas Lindsay, who is a corporate member of the Australasian Institute of Mining and Metallurgy and independent consultant to the Company. Dr Lindsay is an associate of Lindsay Rueda Services Pty Ltd and has over 25 years of exploration and mining experience in a variety of mineral deposit styles including gold and silver mineralisation. Dr Lindsay 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". Dr Lindsay consents to inclusion in the report of the matters based on his information in the form and context in which it appears.*