

Quarterly Activities Report
Quarter Ended 31 March 2017

KRAAIPAN GOLD-NICKEL-COPPER- PGM PROJECT

On 31 January 2017, the Company announced that it had entered into a binding agreement to acquire the Kraaipan Gold-Nickel-Copper-PGM Project ('Kraaipan Project' or 'Project') in Botswana. The Kraaipan Project is comprised of a single but extensive Prospecting Licence, PL232/2016 ('Project Tenure') that is 866km² and covers approximately 50 kilometre stretch of Kraaipan Greenstone Belt in southern Botswana (Figure 1).

The Project is part of the larger NNW trending Amalia-Kraaipan-Greenstone-Terrane ('AKGT') of the Kaapvaal Craton. The AKGT in Botswana is directly along strike from significant gold deposits, as well as adjacent to significant PGE deposits across the border in South Africa.

The southern boundary of the Project Tenure is located along Botswana's southern border with South Africa and accessed via well-maintained roads from Gaborone (capital of Botswana), approximately 150 kilometres to the north.

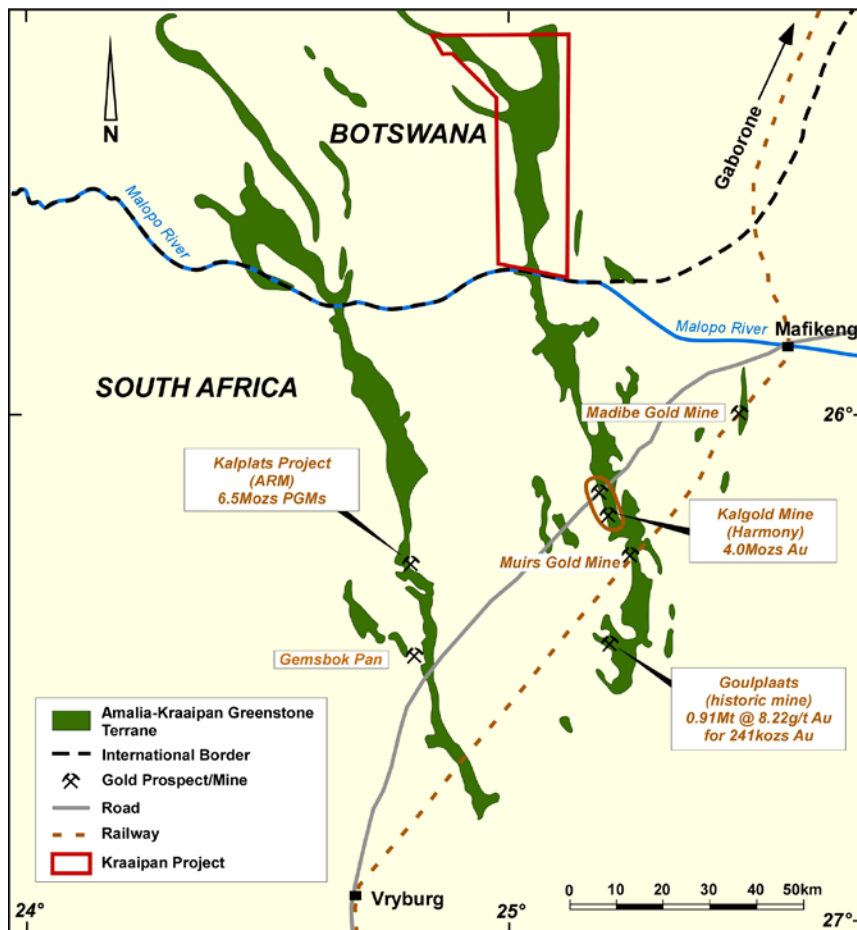


Figure 1: Location of the Kraaipan Gold-Nickel-Copper-PGM Project in relation to the Harmony's Kalgold Mine and the African Rainbow Minerals' Kalplats Project across the border in South Africa.

For personal use only

Project Highlights

- The Kraaipan Project tenure covers ~50km length of the Kraaipan Greenstone Belt; situated 40km north, along strike and within the same geological units as Harmony Gold Mining Company Ltd's Kalgold Mine (~4 million oz gold pre-mining resource¹).
- The Kraaipan Project is also the same terrane that hosts the Kalplats Project (~6.5 million oz of 3E PGMs)² is therefore, interpreted to also be highly prospective for nickel, copper and PGM mineralisation.
- The Project comes with an extensive inventory of geochemical (14,000 soil samples) and geophysical data that have uncovered several strong bedrock VTEM anomalies, some of which are spatially associated with an interpreted highly magnetised, mafic intrusive body.
- Laconia plans to immediately commence an extensive exploration program utilising geochemical and geophysical techniques successfully employed in Australia (e.g. Yilgarn Goldfields) but not applied in this terrane.
- Previous first pass exploration by third parties (*refer ASX announcement dated 31 January 2017*) only focused on 10 km section of this greenstone belt and confirmed its gold prospectivity with RAB drilling intersecting significant, shallow gold mineralisation including:

KP037: 13m @ 1.7g/t Au from 11m, including 3m @ 5.1g/t Au;

KP052: 21m @ 1.0g/t Au from 6m, including 5m @ 2.3g/t Au from 27m;

KP077: 9m @ 1.1g/t Au from 17m, including 4m @ 2.3g/t Au; and

KP074: 42m @ 0.6g/t from 3m, including 21m @ 1g/t Au from 9m.

Proposed Exploration Activities

Laconia plans to execute two strategies in parallel to advance the Kraaipan Project:

- 1) conduct grassroots geochemical/geophysical analysis by leading exploration experts on the strike extent of the belt that has not been previously tested; and
- 2) follow up on the historic exploration work (especially the significant drilling results) completed in the southern, outcropping part of the tenure by trying to understand the controls on the gold mineralisation already found and test if this area contains any economic accumulations of mineralisation.

Competent Person Statement

The information in this report that relates to exploration results is based upon information reviewed by Dr Quinton Hills who is a Member of the Australasian Institute of Mining and Metallurgy. Dr Hills has been engaged by Laconia Resources Limited 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 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Hills is a Director and shareholder of Kraaipan Founders Pty Ltd (ACN: 613214010). Dr Hills consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

¹ 2010 Mineral Resources and Mineral Reserves Report for Harmony Gold Mining Company Ltd (JSE: HAR)

² 2016 Mineral Resources and Mineral Reserves Report for African Rainbow Minerals (JSE: ARI)

Key commercial terms of acquisition

Laconia has agreed to acquire all of the issued capital of Kraaipan Founders Pty Ltd (KFPL) from KFPL's shareholders ('Acquisition').

Through its subsidiaries, including South East Metals (Pty) Ltd, which is incorporated in Botswana, KFPL holds a 100% interest in the Project Tenure.

The consideration for the Acquisition is summarised as follows:

1. a non-refundable deposit of A\$50,000 has been paid to the Vendors to secure the exclusive right to acquire the Project.
2. a further A\$50,000 cash to be paid to the Vendors upon completion.
3. issue 450,000,000 ordinary fully paid shares in the Company ('Shares') to the Vendors or their nominees on Completion at deemed issue price of \$0.002 for each Share;
4. Laconia granting the Vendors a 1% net smelter return royalty on all processed mineral products sold from the Project Tenure on standard industry terms and conditions ('Royalty'); and
5. issue further Shares to the Vendors or their nominees upon the achievement of certain milestones as follows ('Milestone Consideration'):
 - a. upon certification of a JORC compliant resource of gold or gold equivalent of 250,000oz which at least 50% is classified as Indicated or above ('First Milestone'), Shares with a total value of \$500,000 based on an issue price per Share equal to the higher of \$0.002 or the 5 day volume weighted average price for Shares for the previous five days on which Shares traded prior to the announcement of the First Milestone;
 - b. upon certification of a JORC compliant resource of 500,000oz gold or gold equivalent of which at least 50% is classified as Indicated or above ('Second Milestone'), Shares with a total value of \$1,000,000 based on an issue price per Share equal to the higher of \$0.002 or the 5 day volume weighted average price for Shares for the previous five days on which Shares traded prior to the announcement of the Second Milestone;
 - c. upon certification of a JORC compliant resource of 750,000oz gold or gold equivalent of which at least 50% is classified as Indicated or above ('Third Milestone'), Shares with a total value of \$1,000,000 based on an issue price per Share equal to the higher of \$0.002 or the 5 day volume weighted average price for the previous five days on which Shares traded prior to the announcement of the Third Milestone; and
 - d. upon certification of a JORC compliant resource of 1,000,000oz gold or gold equivalent of which at least 50% is classified as Indicated or above (Fourth Milestone), Shares with a total value of \$1,000,000 based on an issue price per Share equal to the higher of \$0.002 or the 5 day volume weighted average price for the previous five days on which Shares traded prior to the announcement of the Fourth Milestone.

Completion of the Acquisition is subject to and conditional upon the satisfaction of various conditions precedent including:

1. Laconia obtaining all approvals from Laconia shareholders required under Listing Rules 7.1, 10.1, 10.11 and 11.1.2 or any other approvals required by the ASX in relation to the Acquisition;
2. Laconia obtaining the necessary waivers from ASX to facilitate the issue of Shares for Milestone Consideration more than 3 months following the approval of the Acquisition by shareholders of Laconia at a general meeting of the Company;
3. Laconia completing an equity capital raising of \$2,400,000 by 31st May 2017;
4. Laconia completing due diligence to its satisfaction of KFPL, its subsidiaries and the Vendor Shares;
5. The Vendors completing due diligence to their satisfaction of Laconia; and
6. the Vendors executing any restriction agreements in relation to any Laconia securities issued as consideration for the Acquisition that may be required by the ASX in accordance with the ASX Listing Rules.

Conditions 1, 2, 4 and 5 have been satisfied.

Capital Raising – Condition 3

Laconia proposes to conduct the \$2,400,000 capital raising at an issue price of \$0.02 per share (post consolidation):

- (i) by way of a 1 for 3 rights issue to raise up to \$673,567 (Rights Issue); and
- (ii) a placement to sophisticated and professional investors of the number of Shares that is equivalent in value to \$2,400,000, less the total amount raised pursuant to the Rights Issue (including the Rights Issue shortfall).

It is anticipated that the Rights Issue offer document will be lodged with ASX and dispatched to shareholders in early May 2017.

For further particulars on the Kraaipan Project and the proposed acquisition refer ASX announcement dated 31 January 2017 titled *“Laconia to acquire extensive and highly prospective Kraaipan Gold-Nickel-Copper-PGM Project”* and announcement subsequent to the end of the quarter dated 3 April 2017 titled *“Kraaipan Project Update”*.

701 MILE PROJECT – PRECIOUS AND BASE METALS, PILBARA WA

(E52/2688 – 80% Laconia: mineral rights excluding manganese and iron and 70% Laconia: manganese and iron rights)

No field work was carried out during the quarter.

-End_

Tenement Information as required by Listing Rule 5.3.3

The following is a table setting out the information as required by ASX Listing Rule 5.3.3, namely:

1. Mining tenements held at the end of the Quarter and their location;
2. Mining tenements disposed during the Quarter and location;
3. Beneficial percentage interests held in farm-in or farm-out agreements at end of Quarter; and
4. Beneficial percentage interests held in farm-in or farm-out agreements acquired or disposed of during the Quarter.

Location	Tenement	Interest at beginning of quarter (%)	Interests relinquished, reduced or lapsed (%)	Interests acquired or increased (%)	Interest at end of quarter (%)
Botswana ¹	PL232/2016	-	-	-	-
Western Australia (Northern Gascoyne)	E52/2688-I*	80**	-	-	80**

* I = Iron Ore Endorsement

** Mineral rights held by Laconia Resources Ltd (80%) and Pandell Pty Ltd (20%). Manganese and iron ore rights held by Laconia Resources Ltd (70%) and Pandell Pty Ltd (30%).

- (1) Pursuant to shareholder approval on 18 April 2017, acquisition of 100% interest in PL232/2016 subject to satisfaction of conditions precedent (refer above under (refer above under "Key Commercial Terms of Acquisition").