

LRS.AU

16 February 2011

Iron Ore, Mineral Sands (Fe, REE, Zr, W, Au, Andalusite)
Peru
Mid Exploration
Exchanges: ASX:LRS**Latin Resources Limited****A\$ 0.35**

The share price of this recent, Peru-focused ASX listing has surged on news of a sevenfold increase in the scale of its **Guadalupito mineral sands project**. Drilling of the iron-rich sands, and of magnetite skarns near Ilo, is planned for coming weeks.

Capital Profile

Share price (A\$)	0.35
52 week range (A\$/share)	0.14 to 0.35
Number of shares (m)	132.8
Number of options (m)	49.9
Convertible notes (m)	0
Number of securities (fully diluted, m)	182.7
Market capitalisation (undiluted, A\$m)	46.5
Debt (A\$m) - Mar 11F	0.0
Enterprise value (A\$m)	45.2
Major shareholders: Cape Lambert Iron Ore (17%), Fidelis Corp (11.0%), Lascelles Holdings (8.6%)	
Avg monthly volume (m)	2
Cash (A\$m) - Mar 11F	1.2
Price/Cash (x)	37.4
Price/Book (x)	13.3
Listed company options:	LRSO

Investment Points

Mineral exploration and development company based in Peru, focused on iron ore (skarn and placer deposits).

Guadalupito Project: magnetite-rich iron sands, also prospective for rare earths, zircon, tungsten, andalusite and gold. Close to Chimbote, site of major iron smelter.

Guadalupito area has recently increased sevenfold - LRS now holds ~50km underexplored strike, potential world class project. Drilling February 2011.

Portfolio of hard rock iron ore prospects in Ilo near major port. Drilling 2,700m program from April 2011 on covered magnetic targets defined by Teck (NYSE:TCK).

Recent listing (Sep '10) but more than 2 years of exploration work and \$3m spent to date.

Cape Lambert (ASX:CFE; mkt cap ~\$426m) is largest shareholder.

Strong experienced management team.

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Production and Financial Forecasts

YEAR END: June	Dec-10a	Mar-11F	2010a*	2011F	2012F
Exploration and evaluation (A\$m)	0.78	0.90	na	2.86	3.00
Corporate (A\$m)	0.49	0.29	na	1.58	1.40
Exploration/(Expl.+ Corporate) (%)	61	76	na	64	68
Funding duration at current burn (years)			na	0.0	0.5
Shares on issue (pr end) (m shares)	132.8	132.8	0.1	132.8	150.3
Drilling - RAB (m)	0	0	0	2,300	9,200
Drilling - Other/Diamond (m)	0	0	0	2,700	10,800
Land holding ('000 ha)*	39	53	na	53	80
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.40	0.00	2.00	7.40	7.00
Funding from JV partners (A\$m)	0.0	0.0	0.0	0.0	0.0
Cash (A\$m)	2.6	1.2	0.3	0.2	2.1
Cash backing (Ac/share)	1.9	0.9	na	0.1	1.4
Net asset backing (Ac/share)	3.0	2.6	na	2.4	5.4

*Unlisted until September 2010.

Quarters stated on calendar year basis.

Company Comment

Overview: Latin Resource listed on the ASX in September 2010, via an IPO at A\$0.20/share to raise \$6m, including \$1m in oversubscriptions. It is focused on iron ore exploration and development in Peru (holding +500km²), with an interest in iron sands and deposits of rare, minor and precious metals.

Strategy: Peru is a traditional producer of precious and base metals, and is now the focus of considerable iron ore exploration, including +\$1Bn, +1Bn tonne developments by each of Shougang and Nianjinzhuo (China) in the Pampa de Pongo area. Latin's iron ore assets are close to infrastructure, including road and port. Exploration in 2011 should help to identify a flagship project, where Latin may then establish a JORC-qualifying resource and commence mineral production.

Guadalupito Project (mineral sands): 200km N of Lima, 20km S of the port town of Chimbote, which has Peru's largest iron smelter, and 5km from the Pan American Highway. The targets are beach placer deposits along the current shoreline, extending up to 5km inland. The project area was recently expanded sevenfold, from 22km² (option) to 163km², significantly increasing contiguous strike length to 40-50km (for a purchase price of US\$20m over 10 years with \$1.6m in 2011-12). Of this area, 60km² is thought to be highly prospective. Potentially economic minerals/metals include low-Ti magnetite and other Fe-Ti-V oxides, monazite (which contains light rare earths), andalusite (an aluminosilicate used in steelmaking), zircon, tungsten minerals and gold. Peru has little or no history of sand mining; sporadic work has been done in the area since the 1960s, focused on gold exploration. LRS has dug four test pits: average grade of these samples is 16.5% Fe, 146ppb Au, 1.16% Ti, 79ppm W, 99ppm Zr and 117ppm La. Mineral concentrates from gravity and magnetic separation assayed 63.5%-64% Fe: a typical sample (11.5% mass recovery) has assayed 63.5% Fe, 4.9% TiO₂, 0.4% V₂O₅, 1.1% Al₂O₃, 0.1% P and 2.5% SiO₂. Further assays are pending. Gold could be an important byproduct, with grades 3ppb to 278ppb, and 69% recovered to the -150µm fraction. These numbers are competitive with global iron sands projects. Sand mines in general have low operating costs (opex) due to simple extraction (free dig) and processing. An advantage of Guadalupito is that its placers are geologically recent, so the sediments are clean and potentially unaffected by slimes or oxide grain coatings. Unlike many areas of Peru, where landowners can make development difficult, the tenements are controlled by the Government. Drilling is planned for February 2011, with results expected in March.

Ilo Project (iron ore): Divided into Ilo Norte and Ilo Sur tenements (103km² and 72km²), 45km N and 40km S (respectively) of the Port at Ilo in southern Peru (800km S of Lima). Both areas have iron ore drill targets, after airborne magnetic surveys by Latin's partner Teck (8200 line km costing \$2.5m; Teck can earn 50c/t royalty on Fe production and a 40% free carry on copper-gold discoveries). The current focus is on Ilo Norte, where Latin has conducted ground magnetic surveys over five areas (Mariela, and Essendon 2, 4, 5, 6). The targets are skarns, measuring 600m x 400m to 100-300m depth, and assaying up to 34.6% Fe (with veins to 56.2%). A particular focus will be Mariela, which is a high amplitude, covered magnetic anomaly. Drilling (2700m) at Ilo Norte and Sur is planned for April 2011, with results expected in May.

Investment comment: The recent acquisition at Guadalupito has transformed it from an interesting prospect to a potentially world class mineral sands project. This potential is being recognised, as shown by recent share price gains. Latin Resources is competitively capitalised relative to other ASX-listed iron ore explorers focused on South America, e.g. Strike (Peru, A\$62m) and Centaurus (Brazil, A\$101m). Such explorers have a strong "tradition" of adding value via resource definition and development. As a recent listing, Latin is only at the beginning of this process, so share price gains can be expected if exploration in 2011 is successful.

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

Iron (Fe)	Classification	Project	Ore	Fe	Cut Off	Fe	Fe Equity
		Equity	mt	%	%	mt	mt
Reserves						0.0	0.0
Resources						0.0	0.0
Mineralised Material (est., non compliant w ith JORC)						0.0	0.0

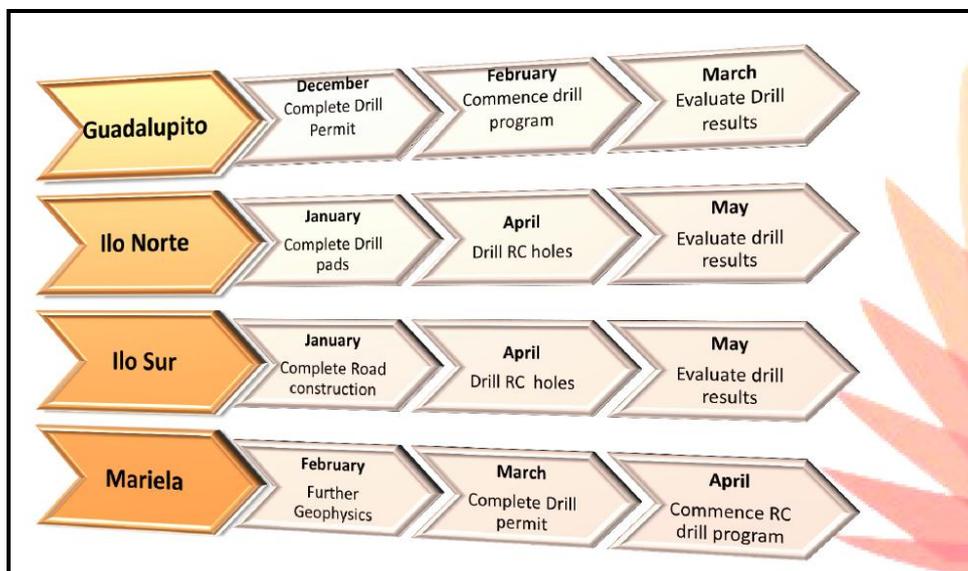
Key Projects

Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Ilo Norte, Ilo Sur	100%	Fe	na	Skarn	na	Mid Expl	Peru
Guadalupito	100%	Fe,REE	na	Sands	na	Mid Expl	Peru
Pampa de Pongo	100%	Fe (Cu,Au)	na	IOCG	na	Early Expl	Peru
Ferro Tacna	100%	Fe (Cu,Au)	na	IOCG	na	Early Expl	Peru
Toray	100%	Fe	na	Skarn	na	Early Expl	Peru
Coribeni	100%	Fe	na	Skarn	na	Early Expl	Peru

Guadalupito Project: a recent transaction has expanded Latin's holding to 16,268ha and extended strike to ~50km, creating in the process a potentially world class magnetite and mineral sands project. Other target commodities are monazite (rare earths), zircon, tungsten and gold.



Near-term schedule: drilling is planned for 1Q11, with results expected in March-May. Work in the Ilo area (magnetite skarns) can commence after site and road preparation is completed. Latin's projects are close to major infrastructure.



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