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Latin Resources – initial resource figure for Guadalupito iron and mineral sands project

We covered **Latin Resources (ASX: LRS, Share Price: \$0.28, Market Cap: \$39m)** in our Daily Bulletin for the first time last week. At the time the stock was trading at \$0.23 and it has firmed nicely in an unsympathetic market to close at \$0.28 today on the back of investors welcoming the news of an initial Inferred Resource estimate for the company's Guadalupito Iron Mineral Sands Project in Peru.



In our coverage last week I commented that I expected the release of a maiden JORC-compliant resource to take place during Q1 2012. The company took both myself and the market by surprise with the early release of what is a very encouraging initial resource figure.

The initial resource estimate for the Guadalupito Project in northern Peru confirms the concept of prospective shoreline sediments to a depth of up to 20 metres. The company's initial resource has been estimated within an area of just 682 ha out of a vast total holding of 16,437 ha under concession or option at Guadalupito. The Guadalupito concessions cover a 45km long mineralised shoreline system that

extends up to 4 km inland. The announced resource estimate covers just about 6 km of that strike length and just over 1km of width.

Classification	Split ¹	Domain ²	Tonnes ³ Mt	HM %	HM in sand ⁴ %	Sand ⁴ %	Oversize ⁵ %	Fines ⁶ %
Inferred	Above water table	Gravel Unit	23.2	8.7	17.9	47.5	49.9	2.6
		Sand Unit	14.9	9.2	11.2	88.2	9.2	2.5
		<i>sub-total</i>	38.1	8.9	15.3	63.5	34.0	2.6
	Below water table	Gravel Unit	5.6	4.9	12.7	35.2	61.6	3.2
		Sand Unit	75.1	4.1	4.8	88.1	4.9	6.9
		<i>sub-total</i>	80.7	4.1	5.3	84.4	8.9	6.7
Grand total			118.8	5.7	8.5	77.7	16.9	5.4

Based on all drill, pit and shaft samples excavated below surveyed DTM.

A 1% HM cut-off has been applied to modelled HM grades.

The southern limit of the resource estimate corresponds to the southern boundary of Latin controlled Tres Chozas claim.

The aerial extent of model is around 682 ha.

Approximately 10% of the inferred resource has been extrapolated from nearest sample data values.

1. The resource has been split above and below logged and modelled water table.
2. Wireframes were created to domain logged geological units of Gravel, Sand and Silt; only Gravel and Sand is reported.
3. A density of 2.5 for Gravel and 1.6 for Sand domains was used.
4. Sand is the sample -1mm +52µm size fraction and reflects a screened, deslimed ROM plant feed.
5. Oversize is the sample +1mm size fraction.
6. Fines is the sample -52µm size fraction.

This Inferred resource, based on a 1% HM cut-off, encloses mineralisation from the surface gravel horizon down through the underlying sand unit, to an average depth of 15 metres; however the logged sand unit continues down to around 20 metres depth (the boundary with the offshore facies silt unit).

The heavy mineral assemblage is variable, and is the subject of ongoing investigation. It should be noted that not all the reported heavy mineral content is necessarily valuable heavy minerals, but ongoing work may confirm significant content of magnetite, zircon, ilmenite and other ferro-titanium minerals, goethite, hematite, andalusite, titanite (sphene) and garnet minerals.

The formal announcement of an initial JORC-compliant resource at Guadalupito is significant also because it confirms the company’s exploration model. And the reality is there’s a lot more upside to come, based on the fact that Latin has only drilled 68 holes out of a 1,500 drill-hole program, on an area comprising 682 hectares out of a total of more than 16,000 hectares of concessions.

As we highlighted in our initial coverage last week, finding funds to continue drilling has been made a lot easier as a result of a sizeable farm-in deal negotiated with Chinese group, Junefield. Latin has executed two agreements worth a combined value of up to A\$52 million, with Junefield High Value Metals Investments (Junefield) and Junefield-backed Total Genius Iron Mining (Iron Mining).

Junefield is the wholly-owned subsidiary of private company Junefield Holdings Limited, which is a Chinese-based business with considerable interests in the PRC, owned by Mr Zhou Chu Jian He. These interests include property, coal trading, mineral exploration and project development operations in Peru. In

Peru, Junefield has significant concession holdings and a strong exploration capability, with numerous geologists and drill rigs.

Latin has agreed a placement in which Junefield will subscribe for up to 30 million shares in two tranches at A\$0.28 per share (a sizeable 51% premium to the pre-existing share price – but in line with the current share price), that will raise up to A\$8.4 million. The placement represents ~16.8% of Latin Resources' issued capital.

The funds raised will primarily be used to accelerate the current exploration and drilling campaign at the company's flagship Peruvian project, the Guadalupito Iron Mineral Sands Project. The second major use of funds will involve fast-tracking exploration activity on the company's 110,000 hectares of granted tenements in the highly prospective Ilo district of southern Peru.

The southern Peruvian coastal zone is home to some of South America's largest mining projects, including Phelps Dodge's Cerro Verde copper mine, Southern Copper's Cuajone and Quellaveco copper mines, a major iron mine at Marcona owned by Shougang and the US\$745 million Mina Justa copper project recently acquired by Glencore.

Given the current tough capital raising environment for junior companies, the Junefield investment (at a healthy premium to market) is a tremendous endorsement of Latin Resources' project potential.

The company has also entered into a binding Earn-In Option Agreement with Iron Mining on its Mariela and Dylan concessions, situated in the Islay Province of Arequipa in southern Peru. The key terms of the deal involve A\$0.7 million in cash, along with Iron Mining earning up to a 70% stake in the Mariela and Dylan concessions by funding all activities up to completion of Bankable Feasibility Study, or to a total cost of A\$35 million.

There is a four-year timeframe on the deal and if the specified money is not spent during that time then Latin Resources can terminate the agreement and retain 100% ownership of the project. One of Junefield's biggest assets is its strong and experienced Peru exploration team, which will be of enormous benefit to Latin Resources in terms of project appraisal and development.

Latin Resources is very much a work in progress, in a location (Peru) that may not be immediately identifiable for many Australian investors. Adding to the unfamiliarity is the fact that the company is not exploring for your typical stand-alone gold or base metal deposit; instead iron-mineral sands, which is an exploration concept that's probably new to most investors.

The key though is that the company's potential has been recognized by a Chinese industry group, Junefield, with deep pockets and strong ties to Peru. Latin Resources therefore has the ideal cornerstone partner and is a company that we'll follow closely given our lack of South American exposure in our portfolio.

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