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LATIN RESOURCES

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Latin Resources (ASX: LRS) is focused on Peru where the company has several projects.

At Ilo Norte the focus is iron, copper and gold, while at Guadalupto the target is iron and heavy mineral sands - with the company targeting a JORC Resource in 2011.

Latin Resources' new Chinese cornerstone investor provides vote of confidence in Peruvian projects

Wednesday, March 21, 2012 by Christine Feary



Latin Resources (**ASX: LRS**) has gained a new cornerstone investor with the completion of an A\$8.4 million Placement to major Chinese firm Junefield High Value Metals Investments.

Highlighting the confidence of Junefield in the operations of Latin, the placement was struck at a 51% premium to the last traded price prior to the announcement of the deal.

Funds from the placement will be used to accelerate activities at Latin's Guadalupto Iron Sands Project in Peru.

Latin also plans to fast track exploration activity on tenements covering 110,000 hectares in the Ilo district of southern Peru.

Significant investment by major mining companies including **BHP Billiton (ASX: BHP)** and **Antofagasta (LON: ANTO)** in the Ilo region of Peru have re-cast valuations and investment multiples significantly.

Latin managing director Chris Gale said the introduction of the new long-term cornerstone investor strengthened the company's register.

Progress at Latin Resources' projects in Peru has not gone unnoticed, with a new cornerstone investor joining the ranks. The company is particularly focused on advancing the world class potential Guadalupto Iron Sands Project.

"Attracting a cornerstone investor that is as reputable and experienced as Junefield is a major achievement and a key milestone in the advancement of our Peruvian assets," Gale said.

Gale has had his contract as managing director of Latin extended by two years, in recognition of his success in adding value for the company, in particular his role in securing cornerstone investors and project partners.

In addition to the share placement, Latin and Junefield also reached a joint venture agreement for Latin's Mariela Project.

Latin signed an earn-in option agreement with Junefield-backed Total Genius Iron Mining SAC allowing Total Genius to earn up to 70% on Mariela and the Dylan concessions by funding all activities up to completion of Bankable Feasibility Study or to a total cost of A\$35 million.

An initial drilling campaign is due to commence soon at Mariela.

"The drilling is the first step towards the \$35,000,000 Earn In Option Agreement signed in conjunction with the Subscription Agreement," Gale said.

"We are looking forward to announcing the results the drilling campaign in the near future."

Junefield, which has been exploring Peru for more than three years, has conducted drilling at a property around Latin's Ilo project and Mariela.

Guadalupito Project

Latin's flagship Guadalupito Project, in northern Peru, has a maiden JORC Resource of 119 million tonnes at 5.7% Heavy Minerals, released in December 2011.

The company is focused on upgrading this resource, and earlier this month announced an increase in strike length to 28 kilometres after identifying new elevated heavy mineral and gold content.

One of the factors that makes Guadalupito particularly attractive is its proximity to high quality infrastructure.

The project is located 10 kilometres from Chimbote, home to a major port and one of the largest steel smelters in Peru.

In addition, it is close to existing projects, including Barrick Gold's (NYSE: ABX, TSE: ABX) Pierina Mine, an open pit truck and loader operation.

In 2011, Pierina produced 152,000 ounces of gold, and at the end of December had Proved and Probable Reserves of 771,000 ounces of gold.

Placement details

Under the placement, announced in November 2011, Hong Kong listed Junefield agreed to take up 30 million shares in Latin Resources at a price of A\$0.28 per share.

With the issue of the final 20 million shares, Junefield now holds a 16.8% interest in Latin Resources.

Junefield chief financial officer Frankie Li has been appointed a non-executive director of Latin.

Li brings 25 years of experience in accounting and finance, along with an extensive background in compliance, profit planning and cash management.

Analysis

That this is a significant milestone for Latin Resources goes without saying. The founder of Hong Kong's Junefield has built a \$2 billion fund to invest in resources and in Peru. Junefield has been drilling itself at a property around Latin's Ilo project and Mariela and is known to be bullish on the potential.

Recent M&A activity and acquisitions by major mining companies in the area is a testament to the potential of the area. Together, they signal the potential for significant valuation lift in Latin Resources in 2012.

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