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Latin Resources – confirmation of sizeable resource upgrade in Peru

In our most recent coverage of **Latin Resources (ASX: LRS, Share Price: \$0.30, Market Cap: \$54m)** during early July we highlighted the likelihood of a substantial resource upgrade based on the announcement of further encouraging news with respect to ongoing exploration work on its Guadalupito heavy mineral sands project in northern Peru. Encouragingly, I can confirm that the company has delivered on its exploration promise, having just announced a 160% increase in its JORC resource base just six months after its initial JORC announcement during December 2011.



Let's begin with the company's exploration success on the iron sands front. During June Latin Resources announced results from the first 41 drill holes and 33 shafts completed within an area known as "Tres Chosas". This new area was the subject of a new JORC-compliant resource estimation over a surface area of 1,070 hectares along strike to the southeast of the initial (Heldmaier) resource estimate area. The new resource estimate was planned to be completed during August 2012 following receipt of results throughout June 2012 from a further 99 drill holes that were completed at the end of May 2012.

Importantly the company was spot-on with its timetable, announcing that the total JORC-compliant Inferred Resource at Guadalupito (independently estimated by Snowden Mining Industry Consultants), has increased by a whopping 160% from 119Mt @ 5.7% Heavy Mineral (HM) for 6.8Mt of contained heavy mineral to 393Mt @ 4.5% HM for 17.7Mt of contained heavy mineral.

This has been achieved by the addition of a new JORC compliant Inferred Resource estimate for the Tres Chosas area, which is geologically contiguous with the previously released JORC compliant Inferred Resource estimate for the Heldmaier area. Importantly too, the resource estimate for the Heldmaier area has been re-estimated to take into account new data, not available at the time of the original resource estimation.

Table 1 – Total JORC Inferred Resource Estimates at Guadalupito as at 7/08/2012.

Inferred Resource Block	Split ¹	Tonnes (Mt) ³	HM <i>in situ</i> (%)	HM in Sand (%) ⁴	Sand (%) ⁴	Oversize (%) ⁵	Fines (%) ⁶
Heldmaier	Above Water Table	42.6	7.4	15.2	61.3	37.3	1.7
Tres Chosas		41.5	8.7	11.9	78.5	19.8	1.7
Total		84.1	8.0	13.6	69.8	28.7	1.7
Heldmaier	Below Water Table	93.0	4.6	6.4	82.7	11.2	6.2
Tres Chosas		215.4	3.0	3.4	88.8	4.9	6.4
Total		308.4	3.5	4.3	87.0	6.8	6.3
Heldmaier	Total Inferred Resources	135.6	5.5	9.2	76.0	19.4	4.8
Tres Chosas		256.9	3.9	4.7	87.1	7.3	5.6
Grand Total		392.5	4.5	6.3	83.3	11.5	5.3

Snowden's new JORC inferred resource estimate within the 1070 hectare Tres Chosas area is 257Mt @ 3.9% total HM and the updated Heldmaier area includes additional data over a total of 850 hectares for 136 Mt @ 5.5% total HM, with both estimates based on a 1% HM cut-off grade.

Importantly too, within both resource areas mineralised grades are significantly higher in the domain modelled above the water table compared to the domain modelled below the water table. This may potentially facilitate a dry mining start-up, prior to a dredging operation. This is in line with mining scenarios that form part of the Guadalupito Scoping Study currently being prepared by AUSENCO.

Bulk sample composites of mineralised sands have been prepared from shaft samples above the water table that represent areas of the Initial (Heldmaier) resource estimate and the New (Tres Chosas) resource area. These bulk composites are undergoing an exhaustive process test-work program. Preliminary mineralogical results from this program will constitute important data for the Scoping Study currently being undertaken by Ausenco, which is expected to be completed during August 2012

A detailed airborne laser topographic survey has been completed over the majority of Latin's concessions at Guadalupito and is an important advance for determining the upper surface of all future resource

estimates and fundamental for mine planning as part of future scoping and potential feasibility studies due to the high level of detail inherent in the survey.

Not surprisingly, the company and the market are pleased with the upgraded resource base, but even more significantly Guadalupe demonstrates strong likelihood of additional resource expansions, particularly with respect to the exciting new Los Conchaes area that is delivering consistently high grades of HM to depths of more than 40 metres. As a result, Latin Resources plans to announce a further resource upgrade prior to the end of 2012, meaning there's going to be ongoing strong news flow.

What's also interesting from a corporate perspective is that just a month ago the company's largest shareholder, Hong Kong-based Junefield Group, announced that it had acquired a further 3.75M shares at \$0.28 per share via an off-market transaction, which boosted its stake in Latin Resources to 18.7%. As a reminder, we'd previously reported on Junefield's taking up of an \$8.4 million placement in Latin during March 2012, which at the time represented a 51% premium to Latin's then share price and ensured Junefield ended up with a 17% stake.

The big question of course is whether Junefield has greater corporate ambitions with respect to the company. As a reminder, Junefield has built a \$2 billion resources investment fund and it has been drilling at a property around Latin's Mariela Iron Project, which is situated within the Ilo region of southern Peru. Latin and Junefield Group have recently begun a highly-anticipated maiden drilling program at Mariela, where Junefield can earn up to a 70% stake by funding all activity through to completion of a Bankable Feasibility Study or to a total cost of \$35 million.

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.

Latin Resources has a binding Earn-In Option Agreement with Junefield's 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.

Following up a regional aeromagnetic anomaly, exploration geophysical work by Latin has successfully outlined a large and intense coincident magnetic and gravity anomaly that has been modeled to represent

a flat, tabular body measuring approximately 3,000 metres x 1,000 metres, and up to 200 metres in thickness. Project partner, Chinese group Junefield, plans to drill up to 20 diamond holes for 12,000 metres), targeting Marcona-style massive magnetite mineralisation. The Marcona iron deposit in south-central Peru contains some 1.9Bt of ore at a grade of 55.4% Fe and is the most significant central Andean iron oxide deposit.

As we've commented previously, Latin Resources is very much a work in progress in a location, Peru, which may not be immediately identifiable for many Australian investors. Furthermore, iron-mineral sands is a commodity that's almost certainly rather alien to most investors, although this will change over time. The key is that both the company's bulk commodity plays are in superb locations as far as infrastructure access is concerned. This potential has been recognized by Chinese industry group, Junefield, with deep pockets and strong ties and understanding of project development in Peru. Latin Resources therefore has the ideal cornerstone partner and is a company that we'll continue to follow closely given its superb growth prospects and outstanding corporate appeal.

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Summit Equities Trading Team

www.summitequities.com.au

Level 38, Australia Square Tower, 264-278 George Street, SYDNEY
Telephone (02) 8243 7510, Fax (02) 8243 7599