



Latin Resources

Feb 28th 2013

Latin Resources: Multiple price catalysts for 2013, rated Buy from BCP Equities

Latin Resources (ASX: LRS) has received a Buy recommendation from BCP Equities with a target price of \$0.43 - which is more than double the last traded price of \$0.20.

The following is an extract from the report.

Progressing exciting portfolio of projects in the established resource jurisdiction of Peru:

Buy \$0.43: Multiple price catalysts for 2013 across developing portfolio.

Latin Resources Ltd (ASX code LRS) has established a developing portfolio of projects in the globally recognised, emerging and highly prospective resource jurisdiction of Peru.

Latin's portfolio consists of three constituent assets at varying stages of development across a series of commodities. Complementing the portfolio Latin has established an impressive and well-credentialed in country team to maximise the portfolio's potential.

The Guadalupito Iron and Mineral Sands project is Latin's most advanced project. Extensive surface interpretation, sampling and subsequent drilling has delineated a substantial inferred resource of 1.465Bt @ 5.7% Heavy Mineral (HM) with an assemblage dominated by Magnetite, Andalusite with associated Titanium and Garnet group metals with Zircon and gold.

Importantly the existing resource has been derived from only a portion of the tenement footprint and is part of an overall resource target of circa 5 billion tonnes.

The economics of the Guadalupito Mineral Sands project have improved materially with the recent validation of Latin's conceptual exploration target at the Los Conchaes deposit.

Post extensive drilling Los Conchaes adjacent to the initial inferred resource of 393Mt@ 4.5% HM has delivered a substantial inferred resource of 1.073Bt Heavy Mineral @ 6.1% HM versus an exploration target of 690Mt @ 6.8% HM.

Additionally the company has completed several step out holes indicating the resource has the capacity to extend significantly with comparable and potentially improved mineral assemblage.

At Mariela Latin have a project highly prospective for IOCG (Iron Ore Copper Gold) mineralisation. Mariela has attracted significant interest from major shareholder Junefield Group resources who in addition to an initial \$A 8.4M investment in Latin, have committed to a \$US 35million earn in to obtain 70% equity interest in the project.

Mariela is the subject of an intensive drilling campaign with 6 rigs running over the second half of 2012. Junefield has submitted an expanded drilling program for 2013 with additional rigs being mobilised to site for an expanded 2013 drilling program.

Initial assays whilst incomplete are encouraging with intersections including continuous mineralisation of 227m @37.2% Fe inclusive of a 27.4m intersection of 55.7% Fe along with 61.2 metres at 40.41% Fe.

Price: A\$0.19

Market Cap: A\$40.65M

1 Year Share Price Graph



Share Information

Code: LRS

Listing: ASX

Sector: General Mining

Website: www.latinresources.com.au

Company Synopsis:

Latin Resources (ASX: LRS, SETSQX: LRS, OTCQX: LNRDY) is focused on Peru where the company has several projects, including Ilo Norte where the focus is iron, copper and gold, while at Guadalupito the target is iron and heavy mineral sands.

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Selective assaying for Copper has returned encouraging results with 18 individual samples from hole MA-02 assayed for copper with a raw average grade of 0.19%. Recent results have returned copper up to 0.5% Copper.

At Ilo Norte and Ilo Sur, Latin has a considerable tenement footprint in a highly prospective region with several tier one projects in proximity to Latin's holdings.

The broader ILO region has attracted the presence of several resource majors, with BHP, Southern Copper and others taking ground and a considerable presence in the region. Latin is preparing to drill a new Copper-Gold target at Ilo Norte supported by recently reported geophysical (IP) anomalies.

Investment view

At the current \$0.20 share price and subsequent enterprise value Latin Resources Ltd (ASX code LRS) is undervalued and reflects little of its progress made to date nor the potential presented of a broad portfolio in a highly prospective and emerging jurisdiction.

Valuation

We have set an initial price target of \$0.43 per share for Latin Resources, using differing valuation methodologies for the three constituent assets Guadalupito, Mariela and Ilo.

Adopting the governing parameters of the recently tabled scoping study we arrive at a heavily risked NPV of \$0.35 per share (unrisked \$1.39) for Guadalupito. At Mariela we arrive at \$0.07 cents per share and a nominal \$0.02 per share for the Ilo tenements.

An unrisked valuation of \$1.39 per share for Guadalupito highlights the projects potential as it moves along the development timeline. Whilst acknowledging the early stage of Guadalupito's development we see several achievable progress milestones over the course of 2013 that will be as catalysts to share price.

The recently tabled scoping study from Ausenco outlined a dual circuit operation, with a nameplate processing capacity of 25Mtpa for each module. Module 1 is to be commissioned 4 years ahead of module 2 with stage 1 costing US\$344M and stage 2 US\$279M.

We have assumed a capacity of 90% or 22.5Mtpa throughput v 25Mtpa nameplate capacity to arrive at an annual Heavy Mineral Concentrate production of 1.372Mtpa for each module for 2.56Mtpa. Allowing for differing recoveries delivers the following output.

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