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First mover sets the pace in Latin America

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AUSTRALIAN junior Latin Resources ended 2013 on a high and is well placed to surge ahead in two pro-mining countries in South America. Ngaire McDiarmid - *RESOURCESTOCKS**

Copper and iron ore-focused Latin Resources is reaping the benefits of being first in, best dressed.

Its Peruvian portfolio includes the flagship Guadalupito 1.3 billion tonne iron and heavy mineral sands resource with a potential 56-year mine life, as well as a lucrative joint venture at Ilo Norte that is already pouring money into the coffers and funding an immediate drilling program.



In Brazil, the company's aim to find a greenfield project close to infrastructure with near-term production potential has quickly been fulfilled – in November Latin bought Rio Tinto's promising Borborema iron ore project in Rio Grande de Norte district.

Latin Resources was one of the first Australian juniors into South America and managing director Chris Gale said having "first mover advantage" meant the company had been able to secure land in the world's next copper hotspot in Peru.

The Peruvian economy has been growing steadily at more than 5% each year and will be one of the world's 30 main economies by 2050, according to ProInversion, the government's agency to promote private investment.

The stable country has no discrimination against foreign mining companies and has an enviable status as the world's second largest producer of copper and silver and third largest of tin and zinc.

In 2008, Latin Resources was just the third junior Australian explorer in Peru but has since been joined by 17 others.

In the same timeframe, the number of Aussies having a go in South America has grown from 20 to 80 and many more are predicted to turn their attention to the continent.

"In 2012, 25% of all global exploration dollars were spent in Latin America," Gale said.

"By 2020, there will be six countries in Latin America capturing 50% of global mining investments, including Chinese companies spending \$100 billion."

Gale said being a first mover meant Latin Resources had been able to beat the majors to highly prospective regions, including gaining 130,000 hectares in the Ilo district.

"We've been able to stake a major portion of the hottest copper district in Peru," Gale said of the company's Ilo holdings.

He said the opportunities in Latin America were just not possible in Australia and he cited the company's recent landmark deal at Ilo Norte.

Compania Minera Zahena SAC is spending \$US9 million to earn 70% of Latin's Ilo Norte iron oxide-copper-gold project.

Ilo Norte is an advanced exploration project with a very large alteration system at least 10km long and several hundred metres thick.

Under the earn-in option, Zahena will pay \$3.65 million over a four-year period to Latin plus spend \$4 million on exploration including an immediate 4800m diamond drilling program.

Gale said the agreement allowed for the short-term realisation of value at Ilo Norte with exploration on a very exciting target in the heart of a major copper production region, which had 125 billion pounds of copper in published reserves and resources within a 100km radius.

"No junior in Australia this year has been able to secure such a favourable deal as a joint venture, where someone is going to put serious money into the ground and above that pay us \$3.6 million," he said.

"You can't do deals like that in Australia especially as a greenfields project.

"Australia is too costly to do exploration and there's no way at the moment for a junior to raise money in such a poor capital market."

Latin Resources is in talks to strike a JV deal this year for its flagship Guadalupito iron and heavy mineral sands project.

The company says the project has world class potential with a 1.3Bt resource and an exploration upside of 4Bt.

The project reached an important milestone in December when the Peruvian government granted crucial surface rights to key parts of the project area.

Gale said it "de-risked" the project and increased its attractiveness to potential JV partners.

"Obtaining surface rights for mining projects in Peru is a significant accomplishment often only achieved towards the end of feasibility," he said.

Guadalupito's primary minerals include magnetite, andalusite, ilmenite, rutile, zircon, monazite, garnets and apatite.

"It's advanced and we're now looking for a joint venture partner to take us into production within the next two years," Gale said.

"The government has been very supportive and Guadalupito will be the first mineral sands production in the west coast of South America.

"This is something we can pull out of the ground, concentrate and provide a final product to market very quickly."

In the meantime, the Ilo Norte deal and Latin's recent sale of the Mariela IOCG/copper porphyry project to Total Genius Iron Mining for \$2.5 million has cash flowing in.

Investors have also shown their support for Latin's upward trajectory with three separate share placements raising more than \$A5.4 million during 2013.

Latin's most recent portfolio addition is the Borborema iron ore project in Brazil, another area where the company is enjoying first mover benefits.

It purchased mineral rights over 40,483ha from mining giant Rio Tinto, with Latin saying Borborema is close to infrastructure and has the potential to hold a significant resource.

Rock chip samples have shown up to 41% iron and the project has the potential to produce pellet feed fines with very low levels of contaminants.

"We think we're going to be a first mover into an area that has great infrastructure, rail and roads, which can be used by third parties and the two operating mines in the vicinity have proved that you can get into production quite quickly," Gale said.

Gale's involvement in South America has been recognised by his appointment in 2013 as chairman of the Council on Australian Latin American Relations, which was established by the Australian government in 2001.

He said the mood in Latin America was far more buoyant than the doom and gloom witnessed in other markets and the company was set to make the most of its opportunities.

"We're first mover in two great countries with a culture of mining," Gale said.

"The big boys have been there for many years and we've been there for five years and have achieved a lot in a very short timeframe.

"Our scoping study is finished and a resource has been established at Guadalupito.

"We're starting mine planning and a feasibility study for Guadalupito and we're looking for a joint venture partner to take it into production by the first quarter of 2016.

"Drilling is starting at Ilo Norte early next year and, in Brazil, we're developing our iron ore project, which is close to infrastructure and has huge potential."

Latin Resources looks set to reap further rewards this year as it consolidates its position in the increasingly popular mining hotspots.

***A version of this report, first published in the January/February 2014 edition of *RESOURCESTOCKS* magazine, was commissioned by Latin Resources.**