



Latin Resources

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Latin Resources to acquire Rio Tinto's Borborema Iron Ore Project, Brazil

Latin Resources (ASX:LRS) has launched itself into the new iron ore district of Rio Grande do Norte State, Brazil acquiring a project from Rio Tinto that is between two existing export mines.

The Borborema Iron Ore Project acquired from Rio Tinto Exploration, Brazil, is close to the coast with excellent infra-structure including rail, roads and port.

Notably, it is located between the Bonito mine owned by MHAG and the Saquinho Mine operated by India's Zamin Resources - the latter mine is producing 5 million tonnes of banded iron formations (BIF), locally called itabirite.

This provides immediate opportunities for Latin to gain joint venture partners for Borborema given the project's location and profile.

Strategy

Latin's aim is to acquire an iron ore project that was close to infrastructure and capable of fast tracking into production.

More than that, it had local Brazilian Laton Exploration Manager Carlos Spier, looking for just the right iron project for 12 months in the new iron ore district of Rio Grande do Norte State. Simply, the Borborema Iron Ore project fit the bill more than any other.

Infrastructure

Based on the present/future infrastructure of the region and the existence of seaports at a distance up to 150 kilometres from the project Rio decided to establish a presence on the trend, based on interpreted potential for iron ore deposits.

Significantly, there are two new public rail-roads due for construction that will pass the region and give access to two large ports.

Suape Port, Pernambuco State

With Borborema close to port and infrastructure this sets the scene for Latin to move quickly on devising an exploration program and next steps in likely seeking a joint venture partner.

The acquisition is in keeping with Latin's mission of acquiring iron ore projects in South America if they are close to infrastructure.

Transaction terms

The consideration payable to Rio Tinto is not going to break the bank either at US\$200,000 plus taxes and legal costs (approx. US\$45,000) and a 3% net smelter return royalty for 24 exploration claims (36,158 hectares) and 4 application claims (4,325 hectares).

Price: A\$0.06

Market Cap: A\$13.65M

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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Latin's Managing Director Chris Gale said: "We are very pleased to have been able to capitalise on Rio Tinto's exploration work in this very exciting new Iron Ore district in Brazil. This move into Brazil fits in with Latin Resources' strategy of developing projects close to Port and infrastructure to enable near term production."

Background and Location

The interpretation of public domain airborne geophysics data, ETM satellite imagery and DNPM/CPRM geologic maps allowed RTX to select targets to be checked for iron ore in NE Brazil in 2010.

Field reconnaissance led to the identification of a belt with several outcrops / showings of low to medium Fe grade banded iron formations (BIF), locally called itabirite, running SW to NE, extending from the boundary of Pernambuco Paraiba states to the central portion of Rio Grande do Norte State, with an extension of some 350 kilometres.

Geology

Field reconnaissance confirmed that the iron horizons are more continuous and thicker in the area defined near the towns of São Mamede, Jucurutu and Pedra do Navio (a range located south of Lajes).

Two iron ore mines are located in that area: Bonito (Mhag) and Saquinho (Zamin Resources) mines.

Analysis of rock chip samples have returned values of 36-41% iron (Fe).

Analysis

The project acquisition is value accretive immediately for Latin Resources, given it is capped at just \$14 million as the Borborema Iron Ore Project is situated between the 5 million tonne per annum producing Saquinho mine owned by India's Zamin Resources and the producing Bonito mine owned by Mhag.

While Rio Tinto was likely looking for 5-10 billion tonnes of iron in a project, even if the project yielded a couple of hundred million tonnes of iron ore it is highly attractive to Latin and also to be conducive to a joint venture partner looking for an entry point into the new iron ore district of Rio Grande do Norte State, Brazil.

That there is existing and new infrastructure of the region and the existence of seaports to ship material, we believe the project is a net significant positive for Latin. The project looks to be capable of being fast tracked into production with a possible 3 year time-frame.

That Rio took a royalty stream also sends a message about the potential of Borborema to become a producing iron ore mine.

With the deal, Latin could also be at an early sign of becoming an emerging iron ore producer in the vein of Mt Gibson and BC Iron.

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