



# Latin Resources

Feb 5<sup>th</sup> 2015

## Latin Resources signs farm-in worth US\$4M for Ilo Este

Latin Resources (ASX:LRS) has signed a key deal worth US\$4 million (A\$5.16 million) in cash and exploration commitments for the Ilo Este Project in Peru with Compañía Minera Zahena S.A.C. (Zahena).

Recent exploration has indicated that Ilo Este could be a massive porphyry system and the agreement provides the exploration muscle to unlock its riches.

Latin will receive US\$1 million in cash over three years while Zahena has committed to minimum exploration work totalling 11,000 metres of diamond drilling valued at about US\$3 million.

In return, Latin will transfer a 70% interest in the project to Zahena.

Following exercise of the option, a Newco will be formed where Latin retains 30% ownership, which Zahena will have a limited option to buy out for a cash sum to be negotiated plus a 2% Net Smelter Return royalty on all mineral sales.

Latin's wholly-owned subsidiary Peruvian Latin Resources (PLR) will also receive an "exploration success" payment of US\$5 million in the event that a successful definitive feasibility study is produced to exploit mineral resources from the Ilo Este either during the option period or following the formation of Newco.

"We are very happy to continue working with Zahena at Ilo Este, a partner who has proven their drilling capacity at Ilo Norte," managing director Chris Gale said.

"Permit modification at Ilo Este is now Latin's primary focus to allow drilling to recommence under Zahena's control as soon as possible.

"With Zahena's drill plan aimed at testing virgin and covered targets, we are confident that through this deal Latin's shareholders are assured of realising value from the enormous copper porphyry system at Ilo Este on an accelerated timeframe.

"Ilo Este has first class infrastructure on the doorstep, right in the heart of a major copper producing region, where there are 125 Billion pounds of contained copper in published reserves and resources including the Cuajone, Toquepala and Cerro Verde copper mines, all within 130 km of Ilo Este."

Gale added that while Ilo Norte had not fulfilled Zahena's expectations for a large disseminated mineralised body, Latin believes that with drill holes still 400 metres apart there remains good potential for building on the high grade structurally controlled mineralisation at Ilo Norte reported in 2014.

### Zahena Agreement

PLR has signed a Binding Terms Sheet (BTS) to document the terms of a rights assignment and earn-in option to transfer 70% ownership of its Ilo Este Project to Zahena.

A minimum of 5,000 metres of diamond drilling to be completed by Zahena within 6 months, 3,000 metres more within

**Price:** A\$0.021

**Market Cap:** A\$8.541M

### 1 Year Share Price Graph



### Share Information

**Code:** LRS

**Listing:** ASX

**Sector:** General Mining

**Website:** [www.latinresources.com.au](http://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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12 months and a further 3,000 metres for a total of 11,000 m within 18 months.

The Inscription Date will occur shortly after the approval of a modification to the drilling permit which will accommodate Zahena's drill plan which includes drill targets on the southern intrusive belt, and also covered targets to the west and south east of the Chololo Fault.

The drill permit modification will be undertaken by PLR's service division for which Zahena has agreed to pay US\$45,821.17. Work on the modification to the drilling permit has begun and approval is expected in May.

The assignment of rights and earn-in option are given over the mining concessions Latin Ilo Este I, Latin Ilo Este II, Latin Ilo Este III, Latin Ilo Este IV, Latin Ilo Este V, Latin Ilo Este VI, Latin Ilo Este VII and Latin Ilo Este IX totalling 6,200 hectares (Figure 5).

Zahena has elected not to proceed with the option on Ilo Norte and will now focus efforts on exploring the enormous porphyry system at Ilo Este. It is expected to provide final results of their exploration work at Ilo Norte over the coming weeks.

## Ilo Este project

Ilo Este is a large copper porphyry system with coincident gold, silver and molybdenum mineralisation which has been mapped at surface over more than 3 square kilometres.

Latin Resources has recently drilled three diamond holes that confirmed copper mineralisation over 1.1 kilometres of strike, indicating the project is a massive porphyry system.

Adding to the interest, the third hole intersected continuous copper mineralisation from surface to a depth of 472 metres, the longest intersection to date.

The first hole was consistently mineralised from surface to 200 metres while the second was mineralised from surface to 318 metres downhole depth.

Assays from the three holes are:

- 200 metres at 0.14% copper, 0.1g/t gold, 22ppm molybdenum and 0.8g/t silver (IE-JDD-001);
- 318 metres at 0.13% copper, 0.1g/t gold, 14ppm molybdenum and 0.9g/t silver (IE-JDD-002); and
- 472 metres at 0.11% copper, 0.09g/t gold, 11ppm molybdenum and 1.6g/t Ag silver (IE-JDD-003).

Geology, alteration and mineralisation seen to date clearly indicate that Ilo Este is a very large copper porphyry system.

The project also has access to excellent infrastructure, being just 6 kilometres from the Pan-American Highway, a railway line and an electrical substation, and from there 32 kilometres to the Port of Ilo.

This has the potential to reduce development capital compared with other large porphyry deposits located higher in the Andes.

Adding to the interest, the area hosts over 560,000 tonnes per annum of copper production and 125 billion pounds of copper in published resources and reserves within 130 kilometres.

## Analysis

Zahena's entry into the Ilo Este Project will deliver proven exploration muscle towards unlocking its potential as a massive copper porphyry system and place drilling on a fast track.

The planned 11,000 metres of diamond drilling, 5,000 metres of which will be carried out within six months, will follow-up on Latin Resources three holes, which have intersected continuous copper mineralisation intersections of between 200 metres and 472 metres.



More positive results from drilling by Zahena should provide the impetus for a share price re-rating.

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