



MarketCap

An Investment Commentary

Worth Watching: Latin Resources Limited (ASX: LRS)

I attended Paydirt Media's Latin America Downunder conference last week. It was well attended and had a good turnout of officials from most Latin American countries. There was a session devoted to water, which I thought was an excellent idea, given the water shortages across the world.

Monica Porto, Deputy Secretary for Water Resources of the State Government of Sao Paulo, Brazil, spoke compassionately about the severe drought gripping the Sao Paulo area of Brazil, home to 20 million people. This is a very serious issue and people are already leaving the area. There is considerable unrest and it looks like the military may be called in to maintain order.

At the dinner on Wednesday evening I was seated next to representatives from Argentina and Columbia. I learnt a lot from a fascinating discussion. I was rather envious of Argentinian meat consumption; around 75kg/person/per year. About three times that of Australia.

Latin Resources Limited

I have long liked this company, one of the first movers into Peru last decade. The company is run by MD Chris Gale, who has shown admirable persistence under the difficult conditions in the junior resource space.

The company has little cash and is surviving by drawing down on a loan facility, with about \$2 million available at the end of March. Administration costs have been cut and all projects have either been joint ventured, or plan to be. This brings us to an interesting point in the company's progress.

Ilo Norte, Ilo Este, and Ilo Sur Copper Projects

The three projects lie within the same mineralised belt, with the target being porphyry copper (plus gold, etc.). Drilling at Ilo Este has returned results such as 472 metres at 0.115 copper, from surface. Such grades are not currently economic, but are indicative of a large, mineralised system.

There is every opportunity for better grades at Ilo Este, and a substantial joint venture has been entered with Compañía Minera Zahena SAC ("Zahena").

It is a very good sign that Zahena is planning further drilling at Ilo Este, notwithstanding the grade of early results. They obviously see good potential for higher, economic grades elsewhere on the project.

Ilo Sur is under option to First Quantum Minerals Limited, and Ilo Norte is 100% owned (it was previously joint ventured with Zahena).

Guadalupito Heavy Mineral Sands Project.

The deposit has a JORC Inferred Resource of 1.3Mt at 5.7% heavy minerals. The primary minerals of interest are magnetite and andalusite. There is also recoverable zircon, rutile and ilmenite. The initial concept was that the magnetite (iron ore) could be used as a feedstock for the production of steel. Obviously there is zero demand for more supplies of iron ore at present. Andalusite (an aluminium silicate mineral) is used in refractories, ceramics and as a component of sand used in fracking. The company is seeking a joint venture party for this project.

Conclusion

The most important project to keep an eye on is results from Zahena's forthcoming drill program at Ilo Este. I believe there is real potential for economic grades at the project. Success would lead to a substantial uplift in Latin's marketcap.

Secondly, a successful joint venture of Guadalupito should lead to a re-evaluation of that project's value.

NOTE

My "Worth Watching" series is a brief review of corporate presentations that appeal to me. It is not based on in-depth research and is in no way a recommendation to buy or sell shares. The reader is advised to do their own research and/or consult with their broker.

- See more at: <http://marketcap.com.au/worth-watching-latin-resources-limited-asx-lrs/>