

Latin Resources (LRS) Ground Floor Lithium Opportunity

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Key Points

- Latin Resources Ltd (LRS) is a junior mineral exploration company that has been active in South America for a number of years and has recently added promising lithium projects to the portfolio.
- LRS has secured exploration concessions in prospective hard rock lithium regions of NW Argentina. In addition, they are progressing their copper projects in Peru.
- The recent granting of the concessions and the appointment of senior technical personnel is now starting to add depth to LRS's lithium focus. The next steps will be the granting of the remaining concessions and then drilling in early CY17.

Argentina Hard Rock Lithium Focus

- Argentinean hard rock lithium:** LRS has been granted access to mining concessions located in the lithium rich NW region of Argentina. The target will be hard rock pegmatite lithium not the brine hosted targets also found in the region. LRS has selected three project areas based on occurrences of known lithium bearing pegmatites.
- Building the Team:** Recently LRS has taken on an Exploration Manager. The addition of an experienced mining professional is a key inclusion for LRS. The additional upside is the pegmatite mining experience that the hire also brings to the team.
- Other Assets: Copper** - LRS signed rights and an earn-in option to transfer 70% ownership of its Ilo Este Project to Mineral Zahena S.A.C for a total consideration of US\$1.0m cash over 3 years and minimum exploration work commitments. **Mineral Sands** - LRS has suspended further work on their Guadalupito Andalusite Project, Peru. A joint venture partner is currently being sought limiting spending on the project until a suitable partner can be found to invest directly into the project.

Catalysts:

Geological Exploration Results: Now that the granting of the concessions has commenced the next focus for LRS is getting on the ground and undertake geological mapping and sampling to prioritise the pegmatites for drilling.

Drilling: As soon as targets are defined and drilling permits awarded LRS plans to commence drilling. LRS is hopeful of commencing drilling in early 2017.

Risks: LRS is an early stage explorer and is yet to commence detailed studies of the lithium potential of the concessions they have been granted. Therefore there are a number of risks associated with the projects and the company. Please see page 4 for a summary of the risks.

Recommendation

Speculative Buy

Previous Recommendation	Initiation
Risk Rating	Very High
Current Share Price	\$0.012
12 Month Price Target	NA
Price Target Methodology	NA
Debt	\$300k
Cash (30/9/2016)	\$1.9m
Market capitalisation	\$19m
Liquidity – Daily Value	...

Investment Summary

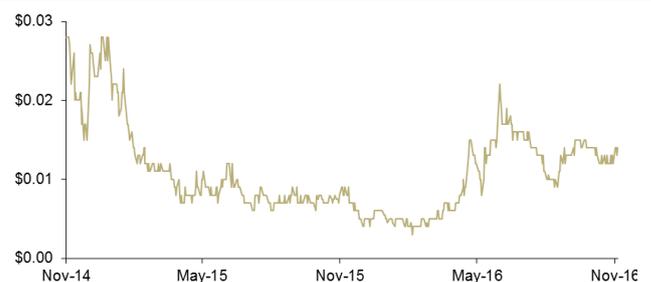
Latin has a strategic vision of securing a significant footprint in Argentinean hard rock lithium regions. LRS has been able to leverage off of their South American experience to quickly secure a number of lithium prospective tenements.

There has been a number (~80) of ASX stocks with lithium exposure, some of these enjoying significant success. We have looked at relevant peers and note a 12-13x re-rating from discovery for successful explorers. Similar success for LRS is tied to exploration success with the next round of drilling the main catalyst.

LRS have stated that they are targeting the objective of being a producer of spodumene concentrate and/or lithium carbonate in late 2018. Given that the first pass drilling on the concessions is yet to be undertaken by LRS we see this target as very ambitious. We will continue to monitor the progress of LRS's in country team on the permitting and ground based activities to see if this target can be reached.

We see results from the on ground lithium exploration as the main near term potential catalysts for the share price.

LRS share price performance



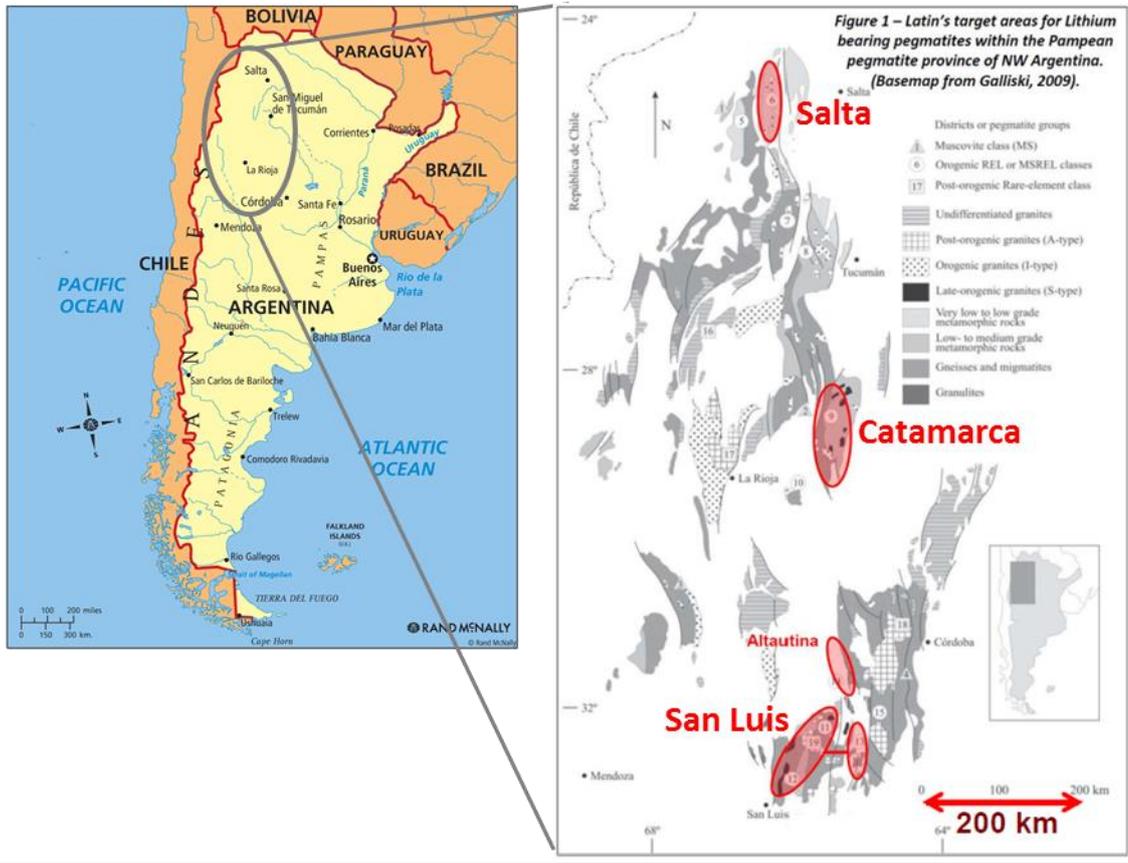
Source: Iress

Argentina Lithium

LRS has three prospective lithium project areas located in northwest Argentina. Whilst the region is home to a number of brine hosted lithium LRS has targeted a number of hard rock lithium prospects, including a number of historic hard rock lithium mines. The three areas are in various stages of permitting, with the most advanced being the Salta and Catamarca Projects.

The company has a track record of entering in new regions, securing projects adding value to them then seeking to create shareholder value by joint venturing the projects out.

NW Argentina Lithium Project Locations



Source: Modified after Company Reports

Catamarca Project

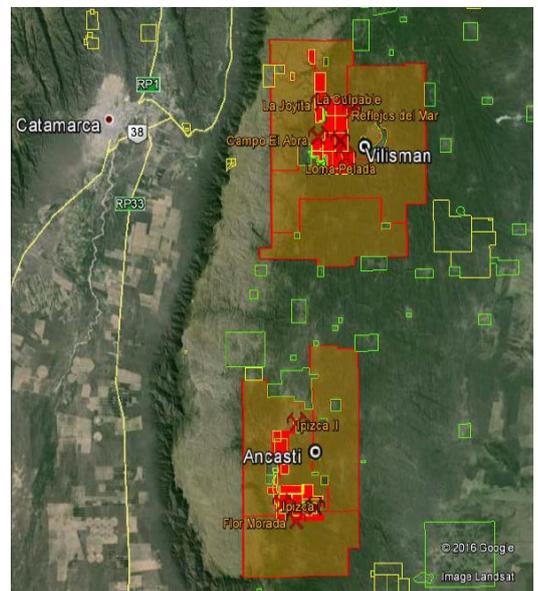
Concessions granted now drilling to commence
Approvals for drilling expected by end CY16 followed by drilling in early CY17

Recently LRS has been granted nine mineral concessions in the northern Argentinian Province of Catamarca. The concessions include historic, small scale, lithium mining activity over a number of lithium bearing pegmatites undertaken during the 1950’s to 1970’s.

The project area is well supported from an Infrastructure perspective with the city of Catamarca 20kms to the east.

Preliminary sampling of outcropping pegmatites undertaken by LRS on a limited (4 samples) number of samples within the concessions has reported grades of 7.1%, 6.3% and 4.9% Li₂O. Whilst this is a very small sample set it does show that the pegmatites are lithium bearing.

Now that the concessions have been granted LRS will commence the approval process to commence formal exploration of the project. The first step will be to gain the necessary drilling permits and undertake geological studies to determine the site of the first drill holes.



The first drilling is expected to commence early in CY17. *Location of the Catamarca Concessions*

San Luis Project

LRS recently announced the application for six exploration and one mining concession within the Conlara and Estanzuela pegmatite fields, located in the San Luis Province of northern Argentina.

Within the mining concession there are three parallel pegmatites, which were mined between 1936 to 1940 for spodumene. Limited scale historic mining was undertaken on all three pegmatites, with the largest pit mined to a depth of ~10m over a 110m length.

The granting of the concessions is expected to be completed in early 2017 with LRS planning to undertake drilling in 1QCY17.



Historic spodumene mining from the 1930's

Salta Project

LRS announced in September 2016 that they had entered into a binding term sheet for the earn in to 24 concessions in the Salta region. The concessions are in a known pegmatite region where mining of the pegmatites for tantalum and bismuth has previously occurred.

Under the terms of the earn in agreement LRS has a period (60 days) to undertake due diligence then followed by a exclusivity period for 50 days, with the due diligence period commencing with ground based activities. This would conceptually see a formal agreement being executed in 1HCY17. Under the preliminary terms LRS would have the right to earn 90% of the project by spending US\$3m over 3 years on exploration and the issue of \$1m in LRS shares.

Other Projects

Ilo Copper Projects (Peru)

Latin has copper projects located in the Iron Oxide Copper Gold (IOCG) & Porphyry district of southern Peru. The concessions are near a number of major copper deposits.

LRS are in a Joint Venture with First Quantum Minerals (TSX:FM) on the Ilo Sur copper project. The targets are large porphyry copper style.

Under the current terms of the JV First Quantum are undertaking geophysical surveys over the prospect as part of an exclusivity period. First Quantum have until the end of 2017 to elect to enter into a formal JV. The proposed terms of the deal are that First Quantum will fund a geophysics program and drill 4,000m within 6 months to earn 51%, commencing from early 2017. Then within 2 years First Quantum has the option of earning up to 80% of the project. Under the terms of the agreement LRS can be diluted down to a 1% NSR by the payment of US\$40m cash at the election of First Quantum.

Guadalupito Andalusite & Mineral Sands Project (100% LRS) Peru

Partners being sought

The project is located in northern Peru on the coast, ~400km from the capital Lima and 25km from the port city of Chimbote.

A scoping study was completed in 2012 and formed the basis of a PFS that was commenced, before work on the project was halted in light of softer commodity pricing. A JORC Resource has been released, which was 1.47Bt at 5.7% Heavy Minerals, the Heavy Minerals are predominantly andalusite (~23%) and magnetite (~24%).

The scoping study was based on a two stage development and a dredging operation commencing at a run rate of 15Mtpa, for conceptual production 155,000tpa andalusite, 200,000tpa magnetite and other associated heavy minerals.

The resource is large and has potential scale, the issue is that the assemblage of minerals in the Heavy Mineral Sands component is dominated by non-main stream minerals and as such will require a specialist partner to develop the asset.

Peer Comparison

In looking at the potential for LRS a review of relevant peers is useful to see how exploration success in Argentina could relate to share price performance. Of the 80 ASX lithium stocks on our watch list we have looked at three companies that have benefited from successful drilling programs, resulting in a 12-13x rerating of the market capitalisation.

Given that the market capitalisation of LRS is now ~\$19m following already announcing the move into Argentinian lithium we are not implying that LRS will see a similar 12-13x uplift in value if their drilling is successful. However it does highlight the potential that is possible. The next test will be first drilling on the pegmatites planned for late 2016 to early 2017.

Brimian Ltd (ASX:BGS)

13x uplift in value

Brimian were a gold explorer that acquired a lithium exploration project in Mali in March 2016 and then undertook drilling and exploration. At the time of acquisition BGS had a market capitalisation of ~\$5m, this is now \$66m. The ~13x uplift in value has been due to a good news flow of successfully exploration results and signing of a MOU with a Chinese trader on the lithium rights.

Core Exploration (ASX:CXO)

13x uplift in value

Core first reported lithium at their Northern Territory projects in February 2016 when their market capitalisation was ~\$2m, following the reporting of successful lithium drilling results CXO's market capitalisation is \$27m, a 13x uplift on the back of lithium results.

Kidman Resources (ASX:KDR)

12x uplift in value

Following the acquisition of the Mt Holland Project (Western Australia) in early 2016 KDR first reported the identification of lithium bearing pegmatites in April, at the time KDR was capitalised at ~\$16m. Since then KDR has defined a significant lithium resource and is now capitalised at ~\$194m, for an ~12x uplift.

ASX Listed stocks with lithium exposure

Company	Mkt Cap (A\$m)	12mth	Company	Mkt Cap (A\$m)	12mth
Mineral Resources. (MIN)	2,282		Auroch Minerals Ltd (AOU)	12	
Galaxy Resources (GXY)	925		Lake Resources (LKE)	12	
Orocobre Limited (ORE)	919		Avalon Minerals (AVI)	12	
Western Areas Ltd (WSA)	836		Cazaly Resources (CAZ)	11	
Pilbara Min Ltd (PLS)	706		Red Mount Min Ltd (RMX)	11	
Atlas Iron Limited (AGO)	229		Estrella Res Ltd (ESR)	11	
General Mining Corp (GMM)	209		Venture Minerals (VMS)	10	
Neometals Ltd (NMT)	203		Venus Metals Cor Ltd (VMC)	9	
Kidman Resources Ltd (KDR)	188		European Lithium Ltd (EUR)	9	
Altura Mining Ltd (AJM)	166		Caeneus Minerals (CAD)	8	
European Metals Hldg (EMH)	83		Archer Exploration (AXE)	8	
Global Geoscience (GSC)	75		Peninsula Mines Ltd (PSM)	8	
Birimian Limited (BGS)	66		Walkabout Resources (WKT)	8	
Metals of Africa Ltd (MTA)	53		Segue Resources (SEG)	8	
Prospect Res Ltd (PSC)	45		Maximus Resources (MXR)	7	
Poseidon Nick Ltd (POS)	41		Aurora Minerals Ltd (ARM)	7	
Lithium Australia NL (LIT)	40		Elementos Limited (ELT)	7	
First Graphite Ltd (FGR)	35		De Grey Mining (DEGDA)	6	
Metalicity Limited (MCT)	32		Adelaide Resources (ADN)	6	
Crusader Resources (CAS)	31		China Magnesium Corp (CMC)	6	
Core Exploration Ltd (CXO)	27		Traka Resources (TKL)	5	
Hannans Ltd (HNR)	26		PepinNini Minerals (PNN)	5	
Dakota Minerals Ltd (DKO)	25		Monax Mining Limited (MOX)	5	
Plymouth Minerals (PLH)	25		Quantum Resources (QUR)	5	
Sayona Mining Ltd (SYA)	24		Silver City Minerals (SCI)	5	
Ardiden Ltd (ADV)	24		Argonaut Resources (ARE)	5	
Lepidico Ltd (LPD)	23		Sovereign Gold (SOCDA)	4	
Marindi Metals Ltd (MZN)	22		Blaze International (BLZ)	4	
Pioneer Res Ltd (PIO)	22		Mithril Resources (MTH)	4	
Venturex Resources (VXR)	21		Enterprise Metals (ENT)	4	
Argosy Minerals Ltd (AGY)	21		Cullen Resources (CUL)	4	
Aust Vanadium Ltd (AVL)	20		Anson Resources Ltd (ASN)	4	
Latin Resources Ltd (LRS)	19		Carnavale Resources (CAV)	3	
Exterra Res Ltd (EXC)	17		GB Energy Limited (GBX)	3	
Zenith Minerals Ltd (ZNC)	17		Capital Mining (CMY)	3	
Aura Energy (AEE)	17		Dempsey Minerals (DMI)	3	
Renascor Res Ltd (RNU)	16		Dart Mining NL (DTM)	2	
Kairos Minerals Ltd (KAI)	16		Cohiba Min Ltd (CHK)	2	
Liontown Resources (LTR)	14		Uranium Res Inc (URI)	1	

Source: PAC Partners estimates and IRESS

Risks

Sovereign: We expect Argentina’s mining sector will remain relatively small and underdeveloped compared to other Latin American mining destinations, such as Chile and Peru. The current ruling party in Argentina has made positive policy changes in their first year in office that is starting to attract offshore investment.

Access to Capital: LRS are a junior explorer and as such are not producing and therefore will require additional funding to continue exploration and possible development. A possible funding source could be the 344.8m options that are exercisable at \$0.02/sh before 9 March 2017. Currently these options are out of the money and unlikely to be exercised unless the LRS share price increases above the exercise price.

Permitting: A number of concessions have been granted and a number remain awaiting approval. The drilling approval process is being undertaken at present.

Exploration Success: LRS is a junior exploration company and as such future success will be determined by the outcome of the planned exploration programmes.

Lithium Market: The rapid increase in the lithium price is being driven by a rapid uplift in demand and a delay supply response. There are a number of new potential lithium suppliers looking to enter the market in the short term. The sustainability in the current high lithium price will depend on the currently supply deficiency to remain.

Geological Variability: There has been very limited geological or drilling work undertaken at LRS’s lithium projects. Therefore the nature of the pegmatites and possible lithium mineralisation remains unknown. This is a high risk for LRS, the first round of drilling planned for later in CY16 will start to reduce this risk.

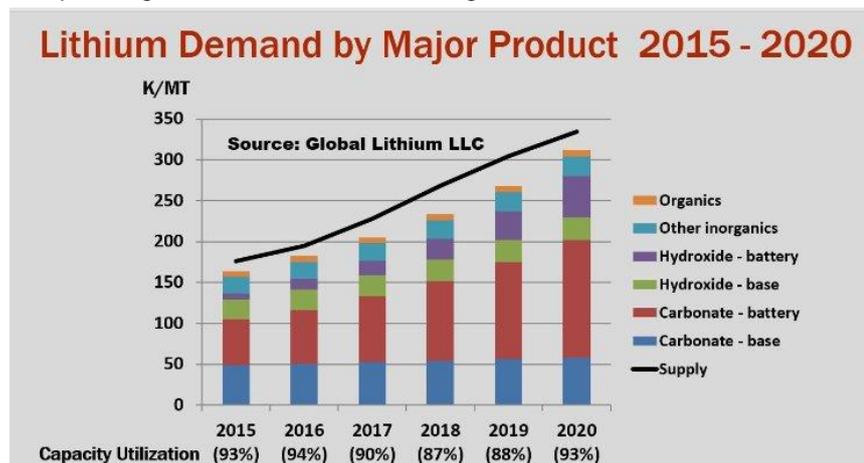
Commodity Pricing and Currency Changes: As a commodities company LRS are exposed to movements in the underlying commodity prices and also the prevailing exchange rate.

Lithium Market

Interest in lithium has intensified in response to a projected increase in energy storage for vehicles and static storage. This has been coupled with limited suppliers and increased lithium carbonate production capacity. A jump in the price of lithium carbonate from ~US\$5,000/t in 2014 to >US\$7,000 in early 2016 and news articles putting the Chinese spot price at US\$20,000/t late in 2016.

Global lithium demand was ~165kt LCE (lithium Carbonate Equivalent) in 2015 and projected to increase to 320kt by 2020, with batteries accounting for the majority of the increase. Some industry commentators put the growth rate in demand even higher.

Demand for lithium forecast to increase significantly



Source: New Lithium Supply and Demand Forecast, Joe Lowry 8/10/2016

Drop in cost of Li-ion batteries has opened up new uses and new markets

As new technology evolves and manufacturing achieves economies of scale the costs associated with Lithium-ion battery continue to fall. Battery cell costs have fallen from ~\$2,600/kWh in 2000 to currently ~\$250/kWh and projected to drop further. The drop in cost is opening up new applications for energy storage. The three main areas for energy storage are; consumer products (mobile phones), transport (electric vehicles) and static storage (either commercial or domestic). The implication is that the market for battery storage has not peaked and continues to grow.

Supply side response slow but coming

The response from the supply side to the projected demand growth has been slower than the growth in battery demand, especially with the response from the brine producers. This delay in rapid supply growth has continued to support the price rise in lithium. Given the delays and issues associated with

lithium production from brine the hard rock suppliers have been quick to respond and a number of projects are rapidly advancing through the development phase.

Major Shareholders

Holder	Shares Held	%
Junefield High Value Metals Investments Limited	88,396,293	5.6%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	70,522,323	4.5%
Mr Robert Veitch + Mrs Elaine Veitch	44,943,615	2.9%
Avalon Retirement Investments Pty Ltd	31,384,985	2.0%
Dempsey Resources Pty Ltd	30,622,129	1.9%

Recent Capital Raisings

25/03/2015	Placement at \$0.01/sh, raised \$285,000
12/11/2015	Right Issue and associated Shortfall Placement at \$0.008/sh, raised \$3.076m
29/03/2016	Placement at \$0.005/sh, raised \$385,000 (PAC Partners lead manager)
16/05/2016	Placement at \$0.01/sh, raised \$825,000 (PAC Partners lead manager)
19/08/2016	Placement at \$0.011/sh, raised \$3.4m (PAC Partners Joint Lead Manager)

Capital Structure

Shares on Issue	1,575,398,098
Options (expire 9/3/2017, exercise price \$0.02/sh)	3444,838,510
Incentive Rights	69,201,901
Deferred Rights	8,897,230
Options (expire 1/12/2017, exercise price \$0.0461/sh)	10,687,500
Options (expire 22/05/2017, exercise price \$0.0166/sh)	11,468,643
Options (expire 30/11/2017, exercise price \$0.008/sh)	9,375,000
Options (expire 30/12/2017, exercise price \$0.04/sh)	14,000,000

Board and Management

Chris Gale
Managing Director

Chris has held various board and executive roles at a number of mining and technology companies throughout his career. Chris is the current Chairman of the Council on Australian Latin American Relations (COALAR) established by the Australian Government Department of Foreign Affairs and Trade (DFAT). He is also a founding director of Allegra Capital, a boutique corporate advisory firm based in Perth and is a member of the Australian Institute of Company Directors (AICD).

David Vilensky
Non-Executive Chairman

David is a practising corporate lawyer and the Managing Director of Perth law firm Bowen Buchbinder Vilensky. He has more than 30 years' experience in the areas of corporate and business laws and in commercial and corporate management. My Vilensky practices mainly in the area of mining and resources, corporate and commercial law, trade practices law, contract law and complex dispute resolution. My Vilensky acts for a number of listed and private companies and is also the non-executive chairman of Zambezi Resources Limited, an ASX listed company focusing on copper exploration in Zambia.

Brent Jones
Non-Executive Director

Brent is an experienced financial services professional who has held operating roles at Woolworths, AFL, Civil Engineers – Ostojic Group and the National Tax and Accountants Association prior to his current management position. Over the past 13 years, Mr Jones has been the joint Managing Director of Interprac, an unlisted public company, specialising in providing the accounting industry access to financial services products and distribution capabilities.

Kerry Griffin
Exploration and Development Manager

Kerry is a geologist with 21 years professional experience in mining geology, resource development and exploration in Australia, Africa, South America and Asia including senior roles with such companies as Newcrest Mining, Sons of Gwalia, Consolidated Minerals, Ivanhoe Mines, Aspire Mining Limited, Haranga Resources Limited, Lindian Resources Limited and Altan Rio Ltd.

Particular lithium associated experience includes holding the position of Chief Geologist for two years at the Wodgina pegmatite hosted tantalum mine and he recently managed a large scale Ta/Sn Greenfields pegmatite exploration project in Mashonaland, NE Zimbabwe.

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Recommendation Criteria

Investment View

PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Buy	Hold	Sell
>20%	20% – 5%	<5%

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Risk Rating

PAC Partners has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

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