

LATIN RESOURCES LIMITED (LRS)

Appointment of Ausenco for Guadalupito Scoping Study

DIRECTORS

Roderick Brown, Non-Exec Chairman
 Christopher Gale, Managing Director
 Mark Rowbottam, Non-Executive Director
 David Vilensky, Non-Executive Director

MARKET DATA

ASX Code:	LRS, LRSO
Current Price	\$0.20
52 week Share Price Range:	\$0.44 - \$0.14
Market Capitalisation:	\$29.6 million

CAPITAL STRUCTURE

Shares on Issue:	148.1 million
Unlisted Options:	52.5 million

MAJOR SHAREHOLDERS

Cape Lambert	14.8%
RMB Resources	5.1%
Lascelles Holdings	7.6%

SENIOR ANALYST

Simon Oaten
 (03) 9607 1371

October 2011

KEY POINTS

LRS announced the appointment of Ausenco Limited to undertake a scoping study on its flagship, 100% owned, Guadalupito Iron and Mineral Sands project in Peru, which is expected to be practically completed by the end of 2011.

Additionally, LRS reported 174 additional assay results from its initial shallow trenching area (6000 Ha) at the Guadalupito project.

These assay results (samples: 1448-1500, 1701-1870, 1874-2000, 2251-2397, 2407 -2498, 4851-4892, 5105-5150) have an average Heavy Minerals (HM) grade of 10.4% on a bulk basis.

The key take-away is a higher average grade, and overall (including the previous announced results from 192 sample assay), the combined data set averages 17.4% HM in the 1mm+52µm "sand" fraction. Note that the total average now accounts for some 62.5% of the total sample mass.

INVESTMENT PROPOSITION

The higher average grades reported in this last round of assay results appear to be co-incident with the coarse strandlines (see the map on the following page), and is clearly positive from a potential bulk tonnes basis. Further assay results will be released as they become available.

The appointment of Ausenco for the Guadalupito scoping study indicates LRS is moving this project forward quickly. Ausenco is "on the ground" in Peru, and has strong in-house technical expertise in process engineering.

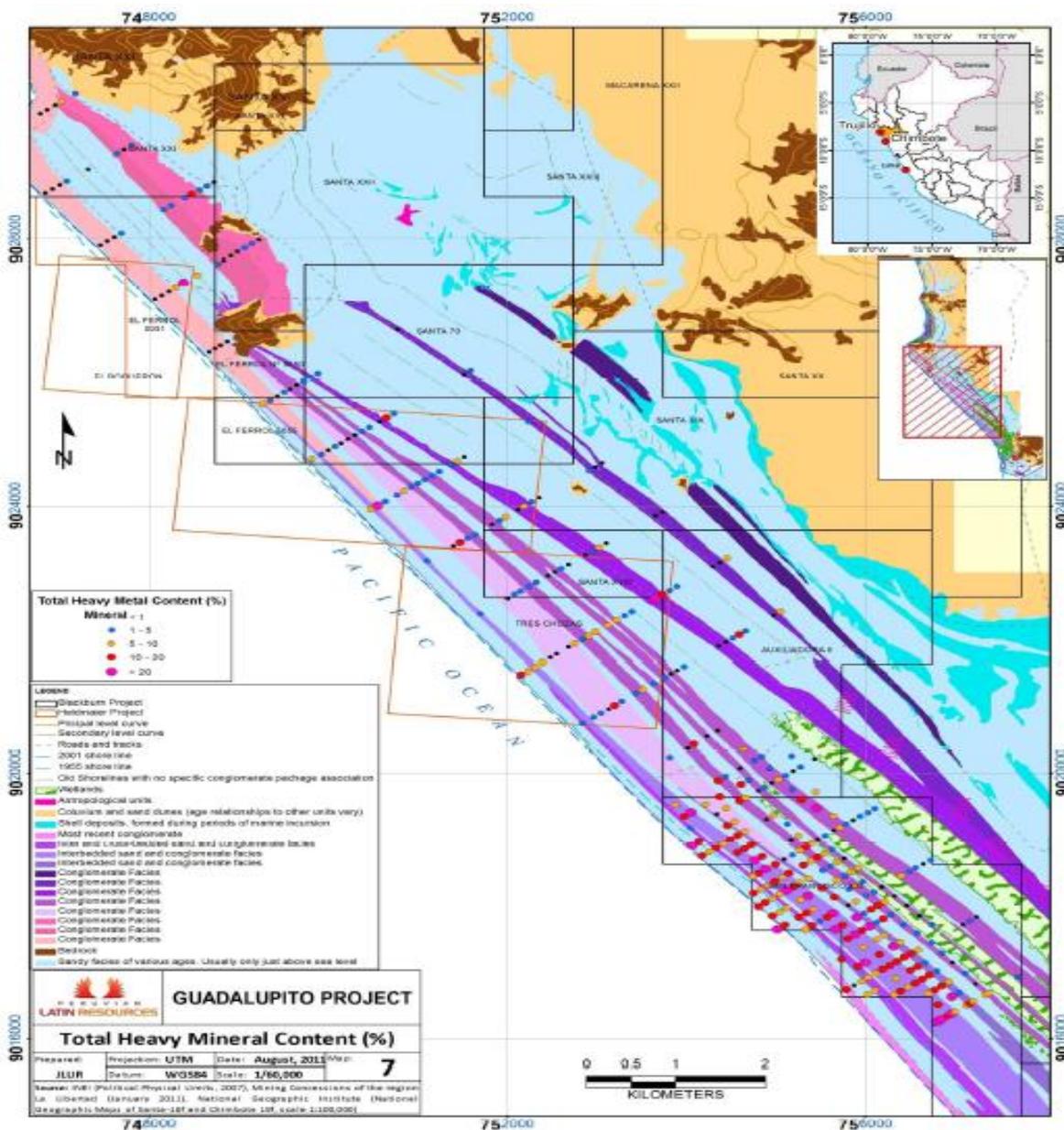
Guadalupito iron mineral sands project is the company's largest with a potential 2bn + tonnes of mineralised sands. An initial JORC resource is due to be available in late October. Trenching data is likely to indicate an initial target resource of around 140 million tonnes of heavy minerals including magnetite, ilmenite, zircon and andalusite. A gold target resource in excess of 1.1 million Oz is also implied.

Event

LRS reported 174 additional assay results from its Guadalupito iron mineral sands project, with an average of 10.4% HM grade (no lower cut-off grade applied). Assay results have now been reported from a total of 366 trench samples.

Within the sand sized fraction (<1mm+52µm), the assays average 17.4%HM. This compares to the first 192 samples with 16.4%HM within the sand fraction (<1mm+52µm).

This round of assay results is concentrated on the “San Francisco” area (south-east). The average grade and potential for increased tonnages is positive for resource evaluation. Some 900 pits have now been trenched, and these will be assayed, and the results analysed and collated over the coming months.



Source: LRS ASX release 8th September 2011

Analysis and Comment

This round of assay results demonstrates higher average grades, and hence it is likely to result in greater bulk tonnages. Drilling will be required to show continuity with depth, with the Boart Longyear rig is now on-site. If this drilling plays out, there is good potential for an expanded resource target.

The Guadalupito deposit has the following key attributes:

- Potentially a very-large bulk tonnage resource (>2000mt);
- Relatively high head grade (appears better than other major iron-sands deposits);
- Good concentrate grades (mainly iron minerals, with potentially significant titanium minerals, zircon and andalusite) contained within the sand sized fraction);
- Low Al silicates (should allow for simple processing);
- Very close to port infrastructure (hence low transport costs)
- Potential for high-value by-products (gold, rare earths, etc).

From the data released, we have deduced the following:

Size fractions

- Approx. 50% “oversize” (> 1.0mm, pebbles, cobbles typically greater than 10mm);
- 47% -48% “sand” (1mm -52 μ m);
- Approx. 2-3% “undersize” (-52 μ m).

Hence, simple screening would further concentrate the HM’s, by removal of the oversize fraction.

HM appear to be of higher average grades in areas with higher coarse fractions. Gold appears to be concentrated in areas with higher “undersize” fractions. Gold content varies according to grain size (average of 0.55 g/t Au in the “undersize” fraction, while within the “sand” fraction gold average grade is 0.023g/t Au). Hence, this data implies an in-situ gold resource of circa 1.1 million Oz (assuming an area of 6000 Ha by 20m deep, and a specific gravity of 2.0 g/cc).

The appointment of Ausenco to undertake the Guadalupito scoping study, which is expected to be practically complete by the end of 2011, demonstrates that LRS is quickly moving this project towards development. The scoping study will consider:

- Determination of the scale of mining operation suitable for the potential scale of the project;
- Development of early cash flow models for a simple 10 Mt p.a. mining operation with a magnetite product;
- Potential for staged development of a mining operation in areas of the deposit that are more well understood;

- Planning for the development of a 30 to 35 Mt p.a. mining operation to deliver magnetite domestically (smelter in Chimbote), and also potential options for pelletizing for export markets in to Asia, within 3 to 5 years;
- Development of economics models including potential by-products, as well as mine planning including the most suitable mining method for the deposit;
- Asses the suitability of existing infrastructure, and any likely required upgrades particularly electricity and fresh water;
- Determine the most suitable transport options including road, the Chimbote port facilities (both domestically and export) location of a separation plant/pellet plant site.
- Asses the requirements for undertaking gravity concentration at the mine, subsequent concentrate separation at a separate facility in Chimbote;
- Develop capital and operating estimates.

Ausenco will then develop a “preferred project” plan. This is very thorough, and highlights that the Guadalupito project has significant upside potential in terms of bulk tonnages, and hence the scale of the project has the potential to be greater than 3-times the initial proposed 10Mt p.a. size.

Background

LRS has several exploration properties in Peru covering a total area of 142,000 hectares (350,740 acres), and is focussed primarily on iron ore and associated minerals including zircon, ilmenite and gold.

World Majors (BHP, RIO, Xstrata, Anglo-American, Barrick, and other leading international mining companies) are active in Peru whilst several major Chinese groups have invested in a number of multi-billion dollar IOCG projects. Peru is a “pro-mining” country, with low taxes (corporate tax rate of 30%, plus dividend withholding tax 4.1% and minor royalties on annual sales) and a supportive legal system. LRS has been able to acquire substantial acreage close to port infrastructure, with global mining companies dominating the IOCG hard-rock deposits.

Four of the projects (Ilo Norte and Ilo Sur, Teck Ilo, Mariela – all hard rock) are located in similar geological environments along the Southern Peruvian coast, which also hosts large-scale magnetite (plus associated Cu-Au) deposits, which are owned by Chinese companies. Initial drilling results from Ilo Norte have shown high anomalous Cu (up to 0.55%) in IOCG style mineralisation. The deposit is open to the north / south / east – and this will be followed with additional drilling, which is clearly positive.

Its 100%-owned coastal Guadalupito iron mineral sands project is likely to become the Group’s “flagship project”. This has been expanded in scale via the acquisition of additional 14,000Ha, at a cost of some US\$20m (staged payments over 10-years). Guadalupito is located very close (10km’s) to the Chimbote iron and steel smelter and port infrastructure. Historical and recent trenching data suggests the total potential resource of 2.0-6.5bn tonnes of mineralised sediments. Trenching data indicate a likely initial target resource of around 140 million tonnes of heavy minerals including magnetite, ilmenite, zircon and andalusite. A gold target resource in excess of 1.1 million Oz is also implied. The initial JORC resource is due to be available in late October.

We do note that this was for some 6000Ha (out of a total of 16,200Ha). This implies that the long-term potential for Guadalupito is circa 350mT of iron-sands – potentially a very large resource. Assuming a base-case of 6.9% grade, and 2bn tonnes of sands, we estimate the value of this iron-ore asset (using market comparables of \$0.5m/mT) is around \$60-70m (\$0.40-0.50/share). Further, we note the historical gold mining in this area, with grades in the range of 0.2 – 0.5 g/t. Data also suggests a large-scale gold resource (>1m Oz) is possible at Guadalupito.

Further trenching and drilling will be required to prove up this potential resources (say 100m line spacing – implying circa 2500 shallow holes).

DISCLOSURE AND DISCLAIMER: The information contained in this Report is of general nature and is for information purposes only, and has been prepared by Gordon Capital Pty Ltd in good faith and with due care but no representation or warranty, express or implied, is provided in relation to the accuracy or completeness of the information.

The information in this Report does not constitute financial product advice (nor investment, tax, accounting or legal advice) and has been prepared without taking account of any person's investment objectives, financial situation or particular needs. You should read any relevant materials lodged with ASX and consider all of the risk factors that could affect the performance of **Latin Resources Ltd.** in light of your particular investment objectives, financial circumstances and investment needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stock broker, lawyer or other professional adviser before deciding whether to invest in of **Latin Resources Ltd.**

This Report does not purport to contain all the information that a prospective investor may require in evaluating a possible investment in of **Latin Resources Ltd.** nor does it contain all the information which would be required in a product disclosure statement or prospectus prepared in accordance with the requirements of the Corporations Act. Prospective investors should conduct their own independent investigation and assessment of the information contained in, or referred to in, this Report.

Statements in this Report are made only as of the date of this Report unless otherwise stated and the information in this Report remains subject to change without notice. Gordon Capital Pty Ltd, and McKeown Marris Securities Pty Ltd are not responsible for updating this document. The historical information in this Report is, or is based upon information that has been released to the market. For further information, please see past announcements released to the ASX.

This Report contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Any forecasts or other forward looking statements contained in this Report are subject to known and unknown risks and uncertainties and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. While due care and attention have been used in the preparation of forecast information, such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of **Latin Resources Ltd.**, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

Any forecast or other forward looking statement contained in this Report is subject to known and unknown risks and uncertainties and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. You are cautioned not to place undue reliance on forward looking statements. The views and opinions expressed in this report are solely those of the writer.

This Report does not and will not form any part of any contract for the acquisition of Securities in of **Latin Resources Ltd.**

None of Gordon Capital Pty Ltd and McKeown Marris Securities Pty Ltd, or their affiliates, related bodies corporate or the officers, employees, partners, directors or advisers of any of them (together, the Report Writers) guarantee or make any representation or warranty as to, or take responsibility for, the accuracy, reliability or completeness of the information contained in this Report. Nothing contained in this Report is, or shall be relied upon as, a promise, representation, warranty or guarantee, whether as to the past, the present or the future.

To the maximum extent permitted by law, the Report Writers disclaim all liability that may otherwise arise due to any information contained in this Report being inaccurate or due to information being omitted from this document, whether by way of negligence or otherwise. The recipient agrees, to the fullest extent permitted by the law, that they shall not seek to sue or to hold the Report Writers liable in any respect in connection with this Report.

Gordon Capital Pty Ltd was engaged by of **Latin Resources Ltd.** ("COMPANY") to provide research coverage services to the COMPANY. In relation to the report we highlight that Gordon Capital Pty Ltd will receive a fee for providing those services including the preparation of this Report. Save for this fee Gordon Capital Pty Ltd and its associates do not expect to receive any other direct or indirect pecuniary advantage or interest in connection with this Report or that may be reasonably capable of influencing the preparation of this Report. Save for this fee Gordon Capital Pty Ltd and its associates have no relevant interest in any shares or other securities of the COMPANY and do not expect to receive any other direct or indirect pecuniary advantage or interest in connection with this Report or that may be reasonably capable of influencing the preparation of this Report. Each paragraph of this disclaimer shall be deemed to be separate and severable from each other. If any paragraph is found to be illegal, prohibited or unenforceable, then this shall not invalidate any other paragraphs.

The author of this report, Gordon Capital Pty Ltd, is an Authorised Representative of McKeown Marris Securities Pty Ltd, the holder of AFS Licence number 287627.

ACCEPTANCE

By accepting, accessing or reviewing this document you acknowledge and agree to the above.