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Latin Resources – growing resource base and positive Scoping Study results

Emerging Peruvian mineral sands player, **Latin Resources (ASX: LRS, Share Price: \$0.20, Market Cap: \$39m)**, has importantly just announced a 371% leap in the total JORC-compliant Inferred Resource base at its Guadalupito Project, based on independent work conducted by respected industry group Snowden Mining Industry Consultants. The resource has grown from 392Mt comprising 17.6Mt of contained heavy mineral, to 1,465Mt comprising 82.9Mt of contained heavy mineral.

This follows the completion of a Scoping Study during H2 2012 at Guadalupito undertaken by industry experts Ausenco that provided Latin with sufficient confidence to continue with drilling and sampling to both expand its Inferred Resource base and also upgrade it to Indicated and Measured status.

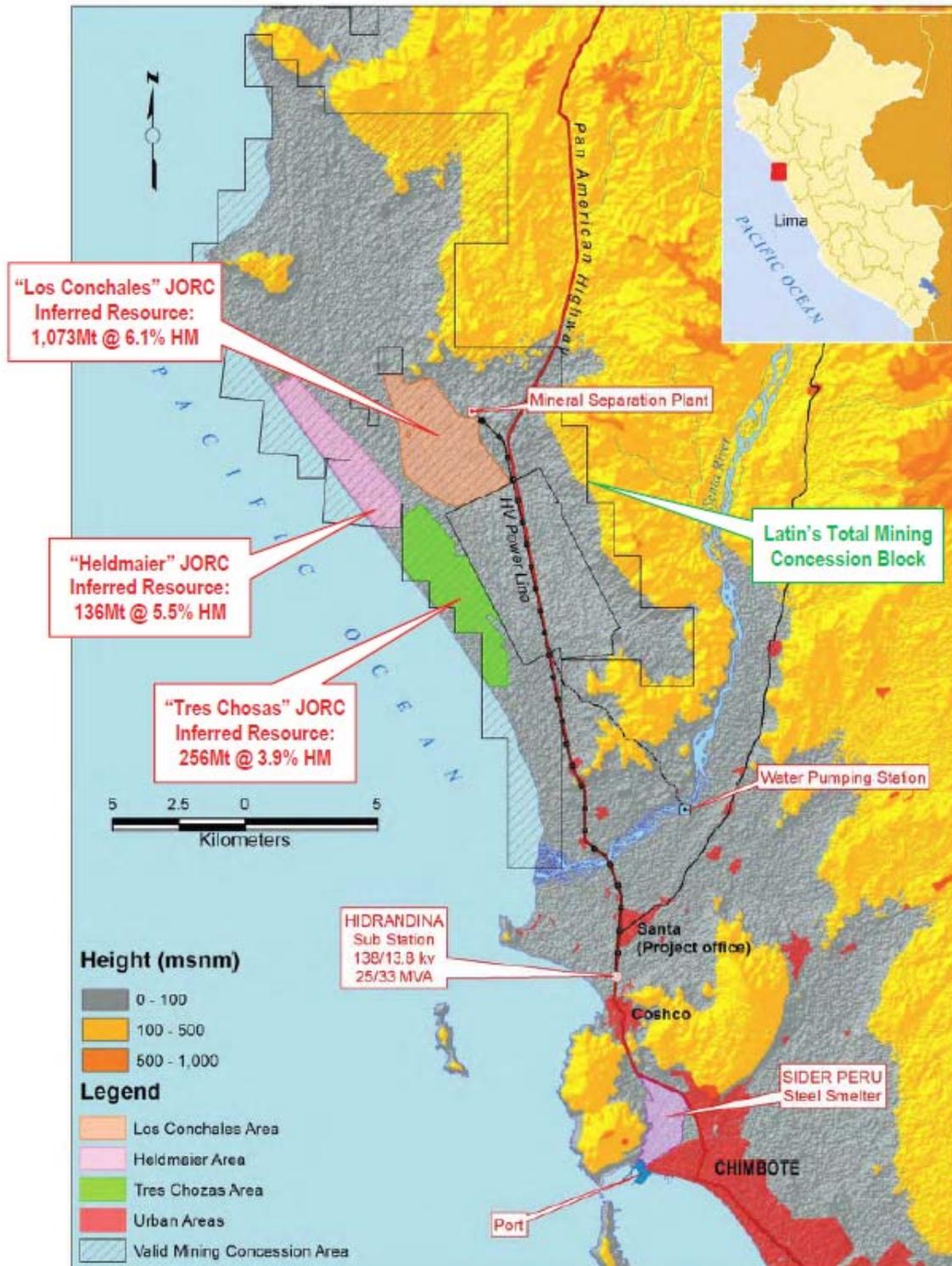


Market Significance

Latin's share price has firmed from a low of \$0.13 during November 2012 to a current high of \$0.20, based on growing market interest as a result of the positive Scoping Study results released during H2 2012, and the likelihood of a strong increase in the overall resource base – which has been confirmed by ongoing drilling culminating in yesterday's release. The really interesting thing is that the company has really only scratched the surface as far as the overall prospectivity of its 24,000 hectare property is concerned.

Announcement Detail

The company has announced that the total JORC-compliant Inferred Resource base at its Guadalupito Project has increased by 371% from 392Mt with 17.6Mt of contained heavy mineral, to 1,465Mt with 82.9Mt of contained heavy mineral. This has been achieved by the addition of a new JORC-compliant Inferred Resource Estimate for the “Los Conchaes” area, which sits 2km east of the previously-released JORC compliant Inferred Resource estimate for the “Heldmaier” area.



Technical Significance

Mineralogical analysis performed on two initial Heavy Mineral (HM) composites showed that magnetite and andalusite dominate the HM assemblage within the new resource area (22-25% and 21-24% of the HM respectively). A suite of titanium minerals (ilmenite, rutile, leucosene and titanite) make up an average 6.4%, with accessory minerals zircon, monazite, garnets and apatite all with some potentially viable commercial significance to be determined by further metallurgical test work.

Other test work on the new HM composites has confirmed that a high iron (greater than 63% Fe) and relatively low titanium (less than 3% TiO₂) magnetite concentrate can be produced in the laboratory and should be replicable by standard industrial processes. Relatively low levels of titanium and other impurities is a function of the high level of natural liberation of magnetite at Guadalupito and should allow for a premium price over that of other titanomagnetite concentrates in the market.

Andalusite in the HM composites from Los Conchaes is more liberated than that in any other HM samples evaluated from Guadalupito, suggesting that a high-purity andalusite concentrate should have impurities well below even the lower limits of andalusite sold in existing markets. Andalusite products are currently sold at between US\$350 and US\$450 per tonne into a range of markets. Evaluation of the production of titanium mineral and other concentrates including zircon and monazite from Los Conchaes are expected to add further value streams to an eventual operation at Guadalupito.

Now that Guadalupito has a substantial resource base and a scoping study completed by Ausenco, a variety of pathways towards production are being evaluated including a dry-mining operation to take advantage of high HM content sand fraction resources and gold present above the water table at the Heldmaier area. Alternatively at Los Conchaes, the relatively low gravel content, shallow (≈1m) saline water table, and consistently well-mineralized sediment pile more than 40 metres thick favours a large-scale, low-cost dredging operation.

The massive increase has been achieved through the addition of a new JORC-compliant Inferred Resource Estimate for its “Los Conchaes” area, which lies 2km to the east of the previously-released JORC compliant Inferred Resource estimate for the “Heldmaier” area. Significantly, the Los Conchaes Resource has been generated from just a 1,350 hectare area within the overall +24,000 hectares of mining concessions and claims that the company owns.

Project Background

During H2 2012, the company released encouraging first phase Scoping Study results for Guadalupito. They enhanced the company’s JORC resource position and confirmed excellent infrastructure access. Logistically the Guadalupito project is superbly placed, with the Panamerican highway running adjacent to the eastern boundary of the project and continuing 20km south to the town of Chimbote, which hosts one of Peru’s largest iron smelters and a significant operating port facility. Guadalupito extends in its southern limits to the mouth of the Santa River, providing ample fresh water all-year round.

As is often the case with the release of results, some elements of the market reacted negatively, possibly due to a lack of understanding of what the results actually mean. In the case of the initial Scoping Study, there was perhaps a perception that the resource was more modest in size than previous expectations. In reality, the resource was merely a function of conservative initial estimates. This has proven to be the case, with the massive 371% jump in the resource base underlining the huge potential at Guadalupito.

Iron Ore Exposure

What's also interesting from a corporate perspective is that during H1 2012 the company's largest shareholder, Hong Kong-based Junefield Group, announced that it had acquired a further 3.75M shares at \$0.28 per share via an off-market transaction, which boosted its stake in Latin Resources to 18.7%. Junefield had previously taken up an \$8.4 million placement during March 2012, which at the time represented a 51% premium to Latin's share price.

The broader issue is whether Junefield has greater corporate ambitions – given the group has built a \$2 billion resources investment fund and is active in southern Peru.

Latin Resources has a binding Earn-In Option Agreement with Junefield on its Mariela and Dylan concessions in southern Peru. The key terms of the deal involve \$0.7 million in cash, with Junefield earning up to a 70% stake in the Mariela and Dylan concessions by funding all activities up to completion of Bankable Feasibility Study - or to a total cost of \$35 million.

There is a four-year timeframe on the deal and if the specified money is not spent during that time then Latin Resources can terminate the agreement and retain 100% ownership of the project. One of Junefield's biggest assets is its strong and experienced Peru exploration team, which will be of enormous benefit to Latin Resources in terms of project appraisal and development.

Results released just a week ago demonstrate that drilling has intersected good grades of iron, along with some copper mineralisation from drilling designed to extend mineralisation at the Mariela Project. Preliminary results from the first five new drill holes along more than 1km of strike confirm that a magnetic anomaly is associated with magnetite iron mineralization, with best results comprising 61.2 metres at 40.4% iron from 455.85 metres. Copper was also evident in 67 individual samples selected for copper analyses, with values of up to 0.5%.

Summary

Latin Resources is very much a work in progress. The key is that both the company's bulk commodity plays – HM mineral sands and iron ore - are in superbly placed as far as infrastructure access is concerned. This potential has been recognized by Chinese industry group, Junefield, which has deep pockets and a strong understanding of project development in Peru. Latin therefore has the ideal cornerstone partner. We'll continue to follow closely given its outstanding growth prospects and will be speaking with the MD Chris Gale over the coming days. The stock remains on our Watch-list.

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