

LRS.AU

12 June 2012
 Iron, Zircon, Gold, Copper, Andalusite
 Peru
 Scoping Study, Early-Mid Exploration
 Exchanges: ASX:LRS, LSE:LRS, US (OTCQX):LNRDY

Latin Resources Limited

A\$ 0.30

Recent successful drilling indicates that the size and grade of LRS's Guadalupito iron & mineral sands project in Peru (JORC resource 119mt @5.7%HM) could increase substantially. Meanwhile drilling has commenced on the Mariela iron prospect.

Capital Profile

Share price (A\$)	0.30
52 week range (A\$/share)	0.16 to 0.44
Number of shares (m)	180.9
Number of options (m)	62.5
Convertible notes (m)	0
Number of securities (fully diluted, m)	243.4
Market capitalisation (undiluted, A\$m)	54.3
Debt (A\$m) - Jun 12F	0.0
Enterprise value (A\$m)	51.9
Major shareholders: Junefield High Value Metals Investments Ltd (16.8%) Directors and Assoc (17.7%), Cape Lambert Resources (12.4%).	
Avg monthly volume (m)	0.9
Cash (A\$m) - Jun 12F*	2.4
Price/Cash (x)	22.6
Price/Book (x)	5.6
Listed company options:	LRSO

Production and Financial Forecasts

YEAR END: June	Mar-12a	Jun-12F	2011a	2012F	2013F
Exploration and evaluation (A\$m)	1.14	2.45	3.49	6.57	8.00
Corporate (A\$m)	0.87	0.92	1.79	2.89	2.20
Exploration/(Expl.+ Corporate) (%)	57	73	66	69	78
Funding duration at current burn (years)			0.6	0.3	-0.1
Shares on issue (pr end) (m shares)	180.9	180.9	148.1	180.9	209.5
Drilling - RAB (m)*	2,300	5,000	0	11,900	20,000
Drilling - Other/Diamond (m)*	5,000	10,000	4,040	17,700	50,000
Land holding ('000 ha)	126	126	126	126	126
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	5.63	0.00	11.58	8.87	8.00
Funding from JV partners (A\$m)	0.0	0.0	0.0	0.0	0.0
Cash (A\$m)	6.0	2.4	3.3	2.4	-0.8
Cash backing (Ac/share)	3.3	1.3	2.2	1.3	-0.4
Net asset backing (Ac/share)	6.0	5.4	2.3	5.4	7.0

* All drilling metres are RCR estimates.

Quarters stated on calendar year basis.

Investment Points

Mineral exploration and development company based in Peru, focused on iron ore (skarn and placer deposits).

Guadalupito Project: 2 billion tonne target over 164km² project area, magnetite-rich mineral sands with potential 1moz contained gold, indicated 0.55g/t Au in undersize.

Guadalupito JORC resource (159mt @ 5.7% total HM, 8.9% above water table) over just 5% of total area.

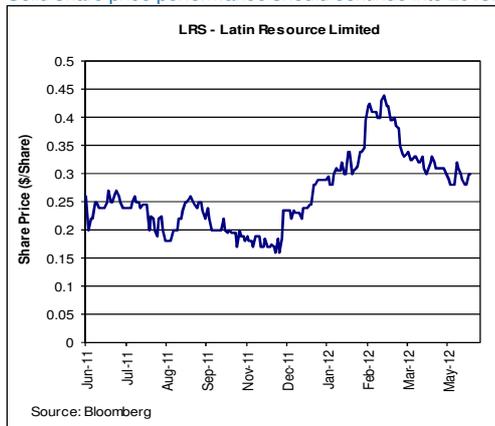
Recent Guadalupito drilling underlines potential for major resource size increases and higher grades.

Scoping Study underway for potential production (10mtpa Stage 1) magnetite and gold.

Chinese group has invested A\$8.4m @ A\$0.28/share for 16.8% plus farming into exploration tenements with potential A\$35m spend to earn 70%.

Mariela, Dylan, large scale mag anomalies (IOCG potential). Mariela drilling has commenced with Chinese farm-in expenditure now being applied.

Solid share price performance should continue into 2013.



Company Comment

Overview: LRS listed on the ASX Sep '10. LRS is focused on exploration and development of its portfolio of iron, mineral sands, gold and copper projects in Peru, where it has been active for over 3 years and spent ~A\$10m to date. Assets are close to infrastructure, including road and port.

Chinese Investment: A subsidiary of the Chinese diversified group, Junefield Group, has taken up a 16.8% stake in LRS through a recent (two tranche) share placement at A\$0.28/share (plus 1:3 free A\$0.30 option). Junefield is also farming in to the Mariela and Dylan tenements by paying A\$1.4m up front and sole funding up to A\$35m (or completion of BFS) to earn 70%. Significantly, Junefield is already on the ground in Peru, with extensive exploration tenements and an active exploration team. We think that this is a credibility boost for LRS's Peruvian exploration and production targets.

Guadalupito Project (100%, Multi Commodity - Fe, mineral sands, Au, andalusite): 164 km² project area located 200km N of Lima. Purchase price of US\$20m payable in instalments over 10 years (plus 1% NSR) with payments loaded towards back end. Based on shoreline sediments identified over 60km² (45km total strike length) to an assumed depth of 20m (indicated from initial drilling), LRS has generated an exploration target of 2-2.6bt mineralised sand, including potential 1moz of gold (based on 0.55g/t grades in fine -52µ fraction), which could be a huge boost to project economics. **Maiden JORC Resource:** Over an initial 6.8km² area (~5% of total), Snowden has established a 'proof of concept' Inferred JORC resource of 119mt @ 5.7% total H.M. Importantly, the coarse sand component (1mm to +52µm; 78% by mass) which represents potential ROM plant feed assayed 8.5% H.M and 15.3% above the water table which would be mined in the proposed Stage 1 dry mining operation. **Recent drilling:** The size and grade of the Guadalupito resource look set to expand after recent drilling ~3km north of the existing resource produced a spectacular hole assaying 7.4% H.M over its full 39m length, with the shallower zone (0-15m) assaying 9.8% H.M. Drilling to expand the resource in other areas is continuing.

Production Concept: Mineralogical test results show liberated clean grains which result in low cost processing and concentrates at 63.5-64% Fe and encouragingly low 5% TiO₂ from gravity and magnetic separation. Guadalupito is strategically located 25km from an iron smelter and port via sealed highway. LRS is also investigating gold recovery from fines which could be a boost to economics.

Guadalupito Scoping Study: The Scoping Study for fast-track (Stage1) production and early cashflow is nearing completion, based on simple low cost dry mining, magnetic and gravity separation treating 10mtpa to produce a 62% Fe concentrate and separate Au and zircon concentrate. Stage 2 is envisaged to ramp up to 35mtpa with a dredging operation and wet concentrator to produce discrete zircon and TiO₂ concentrates as well as magnetite and gold concs. We expect Stage 1 will move to PFS in 3Q12.

Ilo Projects - Mariela (100% LRS, Junefield earning 70%, LRS free-carried) Initial focus is on a large co-incident magnetic and gravity anomaly (Fe-Cu: IOCG target) over a 3km by 1km area, up to 200m thick under 30-100m of cover. JV partner Junefield has recently commenced a 20-hole, 12,000m diamond drilling program, testing this anomaly. Initial results expected 3Q12. Option on adjacent two **Dylan concessions** (which contains extension to anomaly) recently taken up - total staged payments US\$6m for each, with minimal (US\$1.4m) payment required in next 2.5 years. **Ilo Norte (100% LRS, Fe, Cu, Au, Zn):** Near the border with Chile, large magnetic anomalies over 1.25km strike and 400m wide, copper-gold target. Infill drilling is underway after eight exploratory holes (4Q11) all encountered Fe-Cu mineralisation, with coincident gold anomalism (up to 0.13g/t) and anomalous Zn values.

Investment Comment: LRS continues to show solid share price performance for a junior explorer in a savage market. It is up 12% over the last 12 months compared to a fall of 19% for the ASX All Ordinaries Index and a fall of 38% for the more mining related ASX200 Materials Index. With further exploration success at Guadalupito and a vision of near term production, we expect continued out-performance.

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

Iron (Fe)	Classification	Project	Ore	HM	Cut Off	HM Equity	
						mt	mt
Reserves						0.0	0.0
Resources							
Guadalupito	Inferred	100%	118.8	5.7	1.0	6.8	6.8
Mineralised Material (est., non compliant with JORC)						0.0	0.0

* Average HM in sand (-1mm +52µm) which reflects typical plant feed is 8.5%. Sand above water table is 11.2% HM

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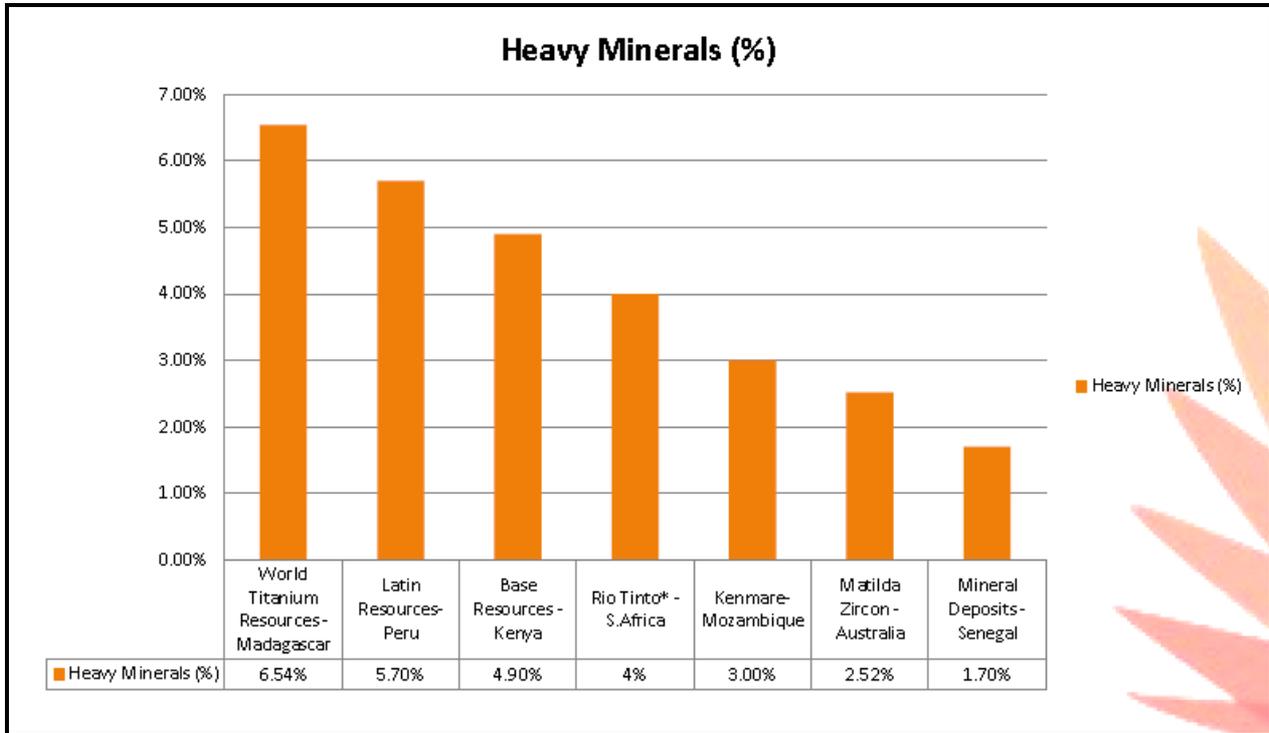
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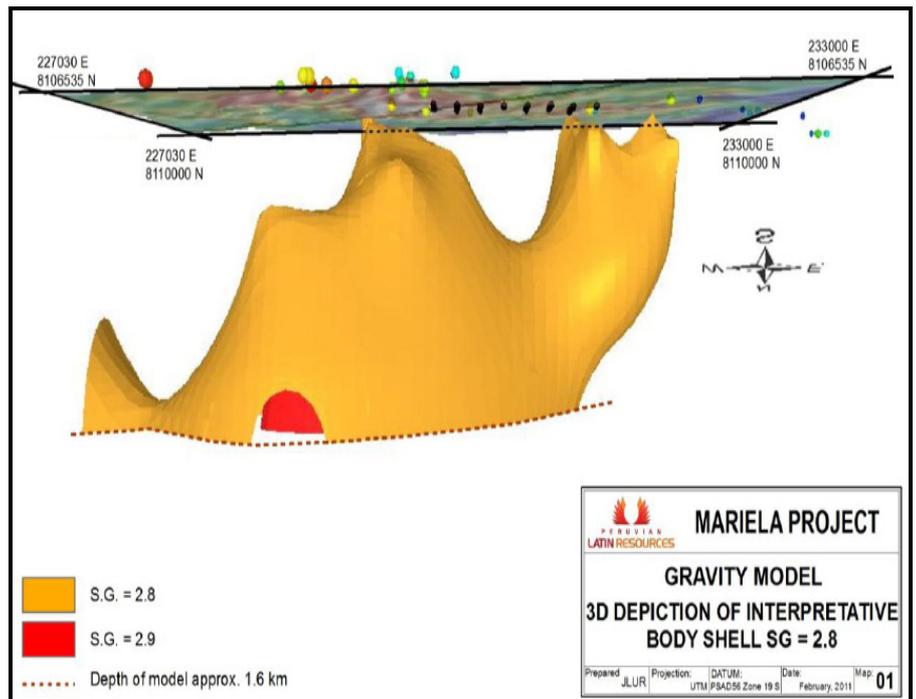
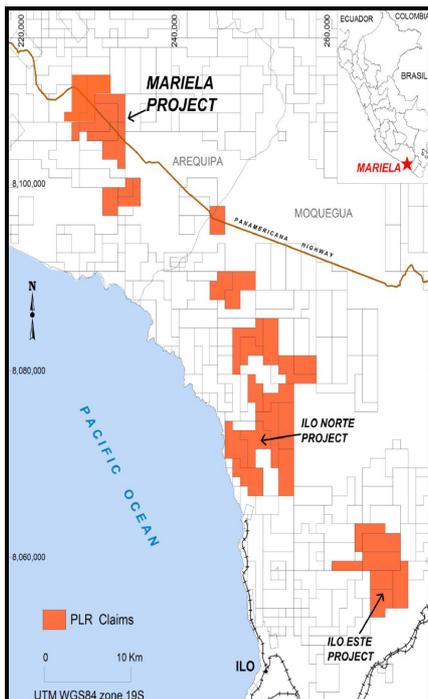
* Junefield Group (China) spending up to A\$35m (or completing BFS) to earn up to 70% of Mariela and Dylan projects.

The current Guadalupito mineral sands resource exhibits a world class heavy mineral assemblage with a 5.7% HM content. We expect that this will increase, after recent successful resource expansion drilling approximately 3km east of the current 119mt JORC resource produced significantly higher grades (averaging 7.4%HM) over an impressive 39m width, with the top 15m averaging 9.8%HM.



Source: LRS

LRS' Chinese JV partner Junefield's exploration focus is on the Mariela Iron Ore Project, 5,200km² of contiguous concessions located on the Pan American Highway 60km from the port of Ilo. Drilling of a large (3km x 1km, up to 200m thick) co-incident gravity and magnetic anomaly presenting a large IOCG target is now underway.



Source: LRS

Disclosure and Disclaimer

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