

# LRS.AU

28 March 2011  
 Iron Ore, Mineral Sands (Fe, REE, Zr, W, Au, Andalusite)  
 Peru  
 Mid Exploration  
 Exchanges: ASX:LRS

## Latin Resources Limited

A\$ 0.33

The share price of this recent, Peru-focused ASX listing has surged on news of a sevenfold increase in the scale of its Guadalupito mineral sands project. Drilling of the iron-rich sands, and of magnetite skarns near Ilo, is planned for coming weeks.

### Capital Profile

Share price (A\$)	0.33
52 week range (A\$/share)	0.14 to 0.44
Number of shares (m)	132.8
Number of options (m)	52.6
Convertible notes (m)	0
Number of securities (fully diluted, m)	185.3
Market capitalisation (undiluted, A\$m)	43.8
Debt (A\$m) - Mar 11F	0.0
Enterprise value (A\$m)	42.6
Major shareholders: Cape Lambert Iron Ore (17%), Lascelles Holdings (8.6%), SCW Red (6.7%)	
Avg monthly volume (m)	2
Cash (A\$m) - Mar 11F	1.2
Price/Cash (x)	35.2
Price/Book (x)	12.5
Listed company options:	LRSO

### Investment Points

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

Strategy: identify a flagship project by June 2011 and define an initial JORC resource by September 2011.

Guadalupito Project: magnetite-rich iron sands, also prospective for rare earths, zircon, tungsten, andalusite and gold. Close to Chimbote, site of major iron smelter.

Underexplored strike at Guadalupito is ~50km, potential world class project, target 1 billion tonnes of mineralised sediment including ~100mt at 62% Fe.

Portfolio of hard rock iron ore prospects in Ilo near major port. Drilling 2,700m program from April 2011 on covered magnetic targets defined by Teck (NYSE:TCK).

Recent listing (Sep '10) but more than 2 years of exploration work and \$3m spent to date.

Cape Lambert (ASX:CFE; mkt cap ~\$426m) is largest shareholder.



### Production and Financial Forecasts

YEAR END: June	Dec-10a	Mar-11F	2010a*	2011F	2012F
Exploration and evaluation (A\$m)	0.78	0.90	na	2.86	3.00
Corporate (A\$m)	0.49	0.29	na	1.58	1.40
Exploration/(Expl.+ Corporate) (%)	61	76	na	64	68
Funding duration at current burn (years)			na	0.0	0.8
Shares on issue (pr end) (m shares)	132.8	132.8	0.1	132.8	153.8
Drilling - RAB (m)	0	0	0	2,300	9,200
Drilling - Other/Diamond (m)	0	0	0	2,700	10,800
Land holding ('000 ha)*	39	146	na	146	146
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.40	0.00	2.00	7.40	8.30
Funding from JV partners (A\$m)	0.0	0.0	0.0	0.0	0.0
Cash (A\$m)	2.6	1.2	0.3	0.2	3.3
Cash backing (Ac/share)	1.9	0.9	na	0.1	2.2
Net asset backing (Ac/share)	3.0	2.6	na	2.4	6.1

\*Unlisted until September 2010.

Quarters stated on calendar year basis.

### Company Comment

**Overview:** Latin Resource listed on the ASX in September 2010, via an IPO at A\$0.20/share to raise \$6m, including \$1m in oversubscriptions. It is focused on iron ore exploration and development in Peru (holding +500km<sup>2</sup>), with an interest in iron sands and deposits of rare, minor and precious metals.

**Strategy:** Peru is a traditional producer of precious and base metals, and is now the focus of considerable iron ore exploration, including +\$1Bn, +1Bn tonne developments by each of Shougang and Nianjinzhaoh (China) in the Pampa de Pongo area. Latin's iron ore assets are close to infrastructure, including road and port. Exploration should help to identify a flagship project (target June 2011), where Latin may then establish a JORC resource (target Sept 2011) and commence mineral production.

**Guadalupito Project (mineral sands):** 200km N of Lima, 20km S of the port town of Chimbote, which has Peru's largest iron smelter, and 5km from the Pan American Highway. The targets are beach placer deposits along the current shoreline, extending up to 5km inland. The project area was recently expanded sevenfold, from 22km<sup>2</sup> (option) to 163km<sup>2</sup>, significantly increasing contiguous strike length to 40-50km (for a purchase price of US\$20m over 10 years with \$1.6m in 2011-12). Of this area, 60km<sup>2</sup> is thought to be highly prospective. LRS has announced a **conceptual exploration target of 1 billion tonnes mineralised sediment, including a possible 100mt at 62% Fe**. Potentially economic minerals/metals include low-Ti magnetite and other Fe-Ti-V oxides, monazite (which contains light rare earths), andalusite (an aluminosilicate used in steelmaking), zircon, tungsten minerals and gold. Peru has little or no history of sand mining; sporadic work has been done in the area since the 1960s, focused on gold exploration. LRS has dug four test pits: average grade of these samples is 16.5% Fe, 146ppb Au, 1.16% Ti, 79ppm W, 99ppm Zr and 117ppm La. Mineral concentrates from gravity and magnetic separation assayed 63.5%-64% Fe: a typical sample (11.5% mass recovery) has assayed 63.5% Fe, 4.9% TiO<sub>2</sub>, 0.4% V<sub>2</sub>O<sub>5</sub>, 1.1% Al<sub>2</sub>O<sub>3</sub>, 0.1% P and 2.5% SiO<sub>2</sub>. Gold could be an important byproduct, with grades 3ppb to 278ppb, and 69% recovered to the -150µm fraction. These numbers are competitive with global iron sands projects. Sand mines in general have low operating costs (opex) due to simple extraction and processing. An advantage of Guadalupito is that its placers are geologically recent, so the sediments are clean and potentially unaffected by slimes or oxide grain coatings. Unlike many areas of Peru, where landowners can make development difficult, the tenements are controlled by the Government. Drilling results expected in April-May.

**Ilo Project (iron ore):** Divided into Ilo Norte and Ilo Sur tenements (103km<sup>2</sup> and 72km<sup>2</sup>), 45km N and 40km S (respectively) of the Port at Ilo in southern Peru (800km S of Lima). Both areas have iron ore drill targets, after airborne magnetic surveys by Latin's partner Teck (8200 line km costing \$2.5m; Teck can earn 50c/t royalty on Fe production and a 40% free carry on copper-gold discoveries). The current focus is on Ilo Norte, where Latin has conducted ground magnetic surveys over five areas (Mariela, and Essendon 2, 4, 5, 6). The targets are skarns, measuring 600m x 400m to 100-300m depth, and assaying up to 34.6% Fe (with veins to 56.2%). A particular focus will be Mariela, which is a high amplitude, covered magnetic anomaly. Drilling (2700m) at Ilo Norte and Sur is planned for April 2011, with results expected in May.

**Investment comment:** The recent acquisition at Guadalupito has transformed it from an interesting prospect to a potentially world class mineral sands project. This potential is being recognised, as shown by recent share price gains. Latin Resources is competitively capitalised relative to other ASX-listed iron ore explorers focused on South America, e.g. Strike (Peru, A\$50m) and Centaurus (Brazil, A\$101m). Such explorers have a strong "tradition" of adding value via resource definition and development. As a recent listing, Latin is only at the beginning of this process, so share price gains can be expected if exploration in 2011 is successful.

### Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

Iron (Fe)	Classification	Project	Ore	Fe	Cut Off	Fe	Fe Equity
		Equity	mt	%	%	mt	mt
<b>Reserves</b>						0.0	0.0
<b>Resources</b>						0.0	0.0
<b>Mineralised Material</b> (est., non compliant with JORC)						0.0	0.0

### Contacts

Mr Chris Gale  
 (Managing Director)  
 Tel: +61 8 94850601  
 Perth, WA, Australia  
[www.latinresources.com.au](http://www.latinresources.com.au)

### Directors

R Brown (Non Exec Chair)  
 C Gale (MD)  
 D Vilensky (Non Exec)  
 M Rowbottom (Non Exec)  
 J Moran (CFO)

Analyst: Dr Trent Allen  
[trentallen@rcresearch.com.au](mailto:trentallen@rcresearch.com.au)

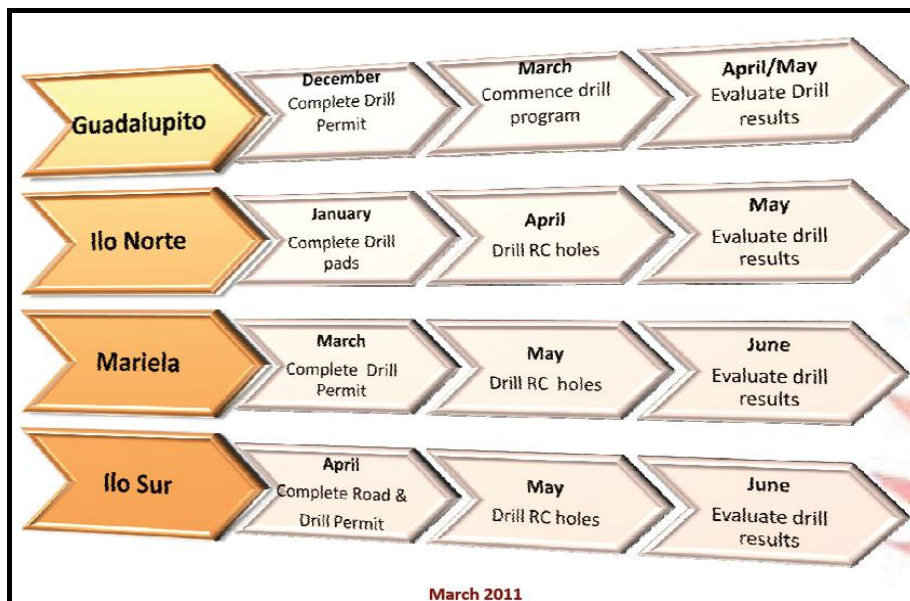
### Key Projects

Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Ilo Norte, Ilo Sur	100%	Fe	na	Skarn	na	Mid Expl	Peru
Guadalupito	100%	Fe,REE	na	Sands	na	Mid Expl	Peru
Pampa de Pongo	100%	Fe (Cu,Au)	na	IOCG	na	Early Expl	Peru
Ferro Tacna	100%	Fe (Cu,Au)	na	IOCG	na	Early Expl	Peru
Toray	100%	Fe	na	Skarn	na	Early Expl	Peru
Coribeni	100%	Fe	na	Skarn	na	Early Expl	Peru

**Guadalupito Project: a recent transaction has expanded Latin's holding to 16,268ha and extended strike to ~50km, creating in the process a potentially world class magnetite and mineral sands project. Other target commodities are monazite (rare earths), zircon, tungsten and gold.**



**Near-term schedule: drilling is planned for March 2011, with results expected in April-May. Work in the Ilo area (magnetite skarns) can commence after site and road preparation is completed. Latin's projects are close to major infrastructure.**



## Disclosure and Disclaimer

### Disclosure and Disclaimer

#### Important Information

Resource Capital Research Pty Limited (referred to as “we”, “our”, or “RCR” herein) ACN 111 622 489 holds an Australian Financial Services Licence (AFS Licence number 325340). General advice is provided by RCR’s Authorised Representatives Dr Tony Parry (Authorised Representative number 328842) and Dr Trent Allen (Authorised Representative number 331960). The FSG is available at [www.rcresearch.com.au](http://www.rcresearch.com.au). All references to currency are in Australian dollars unless otherwise noted.

**This report and its contents are intended to be used or viewed only by persons resident and located in the United States, Canada and Australia and therein only where RCR’s services and products may lawfully be offered.** The information provided in this report is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject RCR or its affiliates to any registration requirement within such jurisdiction or country.

**This report and its contents are not intended to constitute a solicitation for the purchase of securities or an offer of securities.** The information provided in this report has been prepared without taking account of your particular objectives, financial situation or needs. You should, before acting on the information provided in this report, consider the appropriateness of the purchase or sale of the securities of the companies that are the subject of this report having regard to these matters and, if appropriate, seek professional financial, investment and taxation advice. RCR does not guarantee the performance of any investment discussed or recommended in this report. Any information in this report relating to the distribution history or performance history of the securities of the companies that are the subject of this report, should not be taken as an indication of the future value or performance of the relevant securities.

**In preparing this report, RCR analysts have relied upon certain information provided by management of the companies that are the subject of this report or otherwise made publicly available by such companies. The information presented and opinions expressed herein are given as of the date hereof and are subject to change. We hereby disclaim any obligation to advise you of any change after the date hereof in any matter set forth in this report.** THE INFORMATION PRESENTED, WHILE OBTAINED FROM SOURCES WE BELIEVE RELIABLE, IS CHECKED BUT NOT GUARANTEED AGAINST ERRORS OR OMISSIONS AND WE MAKE NO WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AND DISCLAIM AND NEGATE ALL OTHER WARRANTIES OR LIABILITY CONCERNING THE ACCURACY, COMPLETENESS OR RELIABILITY OF, OR ANY FAILURE TO UPDATE, ANY CONTENT OR INFORMATION HEREIN.

**This report and the information filed on which it is based may include estimates and projections which constitute forward looking statements that express an expectation or belief as to future events, results or returns. No guarantee of future events, results or returns is given or implied by RCR.** Estimates and projections contained herein, whether or not our own, are based on assumptions that we believe to be reasonable at the time of publication, however, such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from the estimates and projections provided to RCR or contained within this report.

This report may, from time to time, contain information or material obtained from outside sources with the permission of the original author or links to web sites or references to products, services or publications other than those of RCR. The use or inclusion of such information, material, links or references does not imply our endorsement or approval thereof, nor do we warrant, in any manner, the accuracy or completeness of any information presented therein.

RCR, its affiliates and their respective officers, directors and employees may hold positions in the securities of the companies featured in this report and may purchase and/or sell them from time to time and RCR and its affiliates may also from time to time perform investment banking or other services for, or solicit investment banking or other business from, entities mentioned in this report. Latin Resources Limited commissioned RCR to compile this report. In consideration, RCR received a cash consultancy fee of less than \$15,000. RCR may receive referral fees from issuing companies or their advisors in respect of investors that RCR refers to companies looking to raise capital. Those fees vary, but are generally between 0 - 1% of the value of capital raised from referrals made by RCR. RCR received referral fees in relation to recent capital raisings for Globe Uranium Limited, PepinNini Minerals Limited, Uranex NL and Toro Energy Limited. At the date of this report, neither RCR, nor any of its associates, hold any interests or entitlements in shares mentioned in this report with the exception that either or both of John Wilson (either directly or through Resource Capital Investments Pty Limited (RCI)) and associates, or RCI, as trustee of the Resource Capital Investments Fund owns shares in BHP and Rio Tinto.

**Analyst Certification:** All observations, conclusions and opinions expressed in this report reflect the personal views of RCR analysts and no part of the analyst’s or RCR’s compensation was, is, or will be, directly or indirectly related to specific recommendations or views expressed in the report. Officers, directors, consultants, employees and independent contractors of RCR are prohibited from trading in the securities of U.S. companies that are, or are expected to be, the subject of research reports or other investment advice transmitted to RCR clients for a blackout window of 14 days extending before and after the date such report is transmitted to clients or released to the market.

**Cautionary Note to U.S. Investors Concerning Estimates of Measured, Indicated and Inferred Resources:** RCR publishes mineral resources based on standards recognized and required under securities legislation where listed mining and exploration companies make their exchange filings and uses the terms “measured”, “indicated” and “inferred” mineral resources. U.S. investors are advised that while such terms are recognized and required under foreign securities legislation, the SEC allows disclosure only of mineral deposits that can be economically and legally extracted. United States investors are cautioned not to assume that all or any part of measured, indicated or inferred resources can be converted into reserves or economically or legally mined. We recommend that US investors consult Securities and Exchange Commission Industry Guide 7 – “Description of Property by Issuers Engaged or to Be Engaged in Significant Mining Operations” for further information about the use of defined terms and the presentation of information included in this report.