

LRS.AU

29 March 2012
Iron Ore, Gold, Mineral Sands, Copper
Peru
Scoping Study, Early-Mid Exploration
Exchanges: ASXLRS

Latin Resources Limited

A\$ 0.33

We are seeing a perceptible continental drift from Africa to South America in market enthusiasm for Australian explorers. This should see continued strong performance from LRS which is developing the Guadalupito iron & mineral sands project in Peru.

Capital Profile

Share price (A\$)	0.33
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)	59.7
Debt (A\$m) - Mar 12F	0.0
Enterprise value (A\$m)	52.8
Major shareholders: Junefield High Value Metals Investments Ltd (16.8%) Directors and Assoc (17.7%), Cape Lambert Resources (12.4%).	
Avg monthly volume (m)	1.0
Cash (A\$m) - Mar 12F*	6.9
Price/Cash (x)	8.6
Price/Book (x)	4.9
Listed company options:	LRSO

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 maiden JORC resource (159mt @ 5.7% total H.M., 8.9% above water table) over just 6.8km².

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

Now cashed up - 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). Exploration will accelerate with major Chinese farm-in expenditure now being applied.

Exploration of new targets will come into focus in 2Q12 with drilling due to commence testing a large potential IOCG target anomaly at the Mariela Iron Ore Project.



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Production and Financial Forecasts

YEAR END: June	Dec-11a	Mar-12F	2011a	2012F	2013F
Exploration and evaluation (A\$m)	1.67	1.50	3.49	5.98	6.00
Corporate (A\$m)	0.42	0.35	1.79	1.80	1.40
Exploration/(Expl.+ Corporate) (%)	80	81	66	77	81
Funding duration at current burn (years)			0.6	0.6	0.6
Shares on issue (pr end) (m shares)	159.8	180.9	148.1	180.9	209.5
Drilling - RAB (m)*	2,300	2,300	0	11,900	20,000
Drilling - Other/Diamond (m)*	2,700	5,000	4,040	17,700	50,000
Land holding ('000 ha)	126	126	126	126	126
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	2.80	5.60	11.58	8.84	8.00
Funding from JV partners (A\$m)	0.0	0.0	0.0	0.0	0.0
Cash (A\$m)	3.4	6.9	3.3	4.9	4.7
Cash backing (A\$/share)	2.1	3.8	2.2	2.7	2.2
Net asset backing (A\$/share)	4.4	6.7	2.3	6.4	8.3

* All drilling metres are RCR estimates. Quarters stated on calendar year basis.

Company Comment

Overview: LRS listed on the ASX Sep '10. LRS is focused on exploration and development of its portfolio of iron, gold and iron mineral sands projects in Peru, where it has been active for over 3 years and spent >A\$8m 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 all activities up to A\$35m (or completion of BFS) to earn 70%. Significantly, Junefield is already on the ground in Peru, having interests including exploration tenements and an active exploration team. This is a credibility boost for LRS's Peruvian production and exploration targets.

Guadalupito Project (100%, Multi Commodity - Fe, Au, mineral sands): 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 a 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:** After a 68 hole sonic drill campaign (most holes >20m depth) and sampling 883x1m deep pits over an initial modest 6.8km² area, Snowden has established a maiden 'proof of concept' Inferred JORC resource of 119mt @ 5.7% total H.M content. Importantly, the 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. 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 crucial to economics.

Scoping Study: The Scoping Study for fast-track (Stage1) production is underway, based on simple low cost dry mining, magnetic and gravity separation treating 10mtpa to produce a 62% Fe concentrate and separate gold 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 mid 2012.

Ilo Projects - Mariela (100%, Junefield earning 70%) Initial focus is on a large co-incident magnetic and gravity anomaly (IOCG target) over a 3km by 1km area, up to 200m thick under 30-100m of cover. Initial drilling to test the target is planned in 2Q12. 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%, Fe, Cu, Au, Zn):** Large magnetic anomalies over 1.25km strike and 400m wide, copper-gold target.

Investment comment: The recent Chinese investment in LRS and farm-in commitment to Mariela and Dylan is a major statement of confidence in the medium term iron sands production potential at Guadalupito and the exploration potential at Mariela and Dylan. This has not been lost on the market. LRS has been one of the best performing shares in the past six months, more than doubling from <A\$0.20 in Nov '11 to >A\$0.40 in Feb '12, before a pull back to A\$0.33/share. We consider that we are seeing a resurgence of Australian stock market interest in South American exploration from Australian explorers (driven partly by a more cautious approach to political risk for West African explorers). **This 'South America' factor, coupled with the Guadalupito Scoping Study due for release in 2Q12, (likely to increase focus on LRS's potential transition to production), and commencement of drilling at Mariela, should drive continued out-performance for LRS shares in 2012.**

Reserves and Resources/Mineralised Material

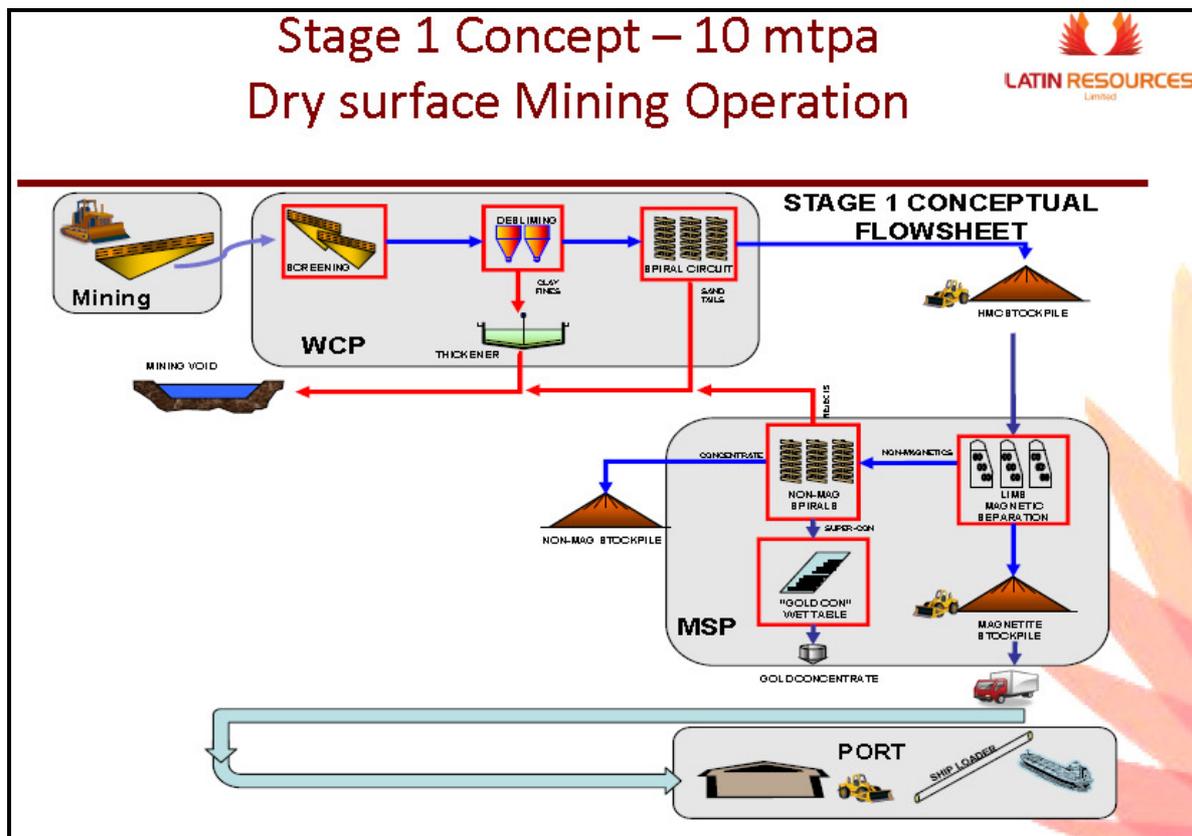
Code for reporting mineral resources - Australian: (JORC)							
Iron (Fe)	Classification	Project	Ore	HM	Cut Off	HM	HM Equity
		Equity	mt	%	%HM	mt	mt
Reserves						0.0	0.0
Resources							
Guadalupito	Inferred	100%	118.8	5.7	1.0	6.8	6.8
Mineralised Material (est., non compliant with JORC)						0.0	0.0
* Average HM in sand (-1mm +52µm) which reflects typical plant feed is 8.5%. Sand above water table is 11.2% HM							

Key Projects

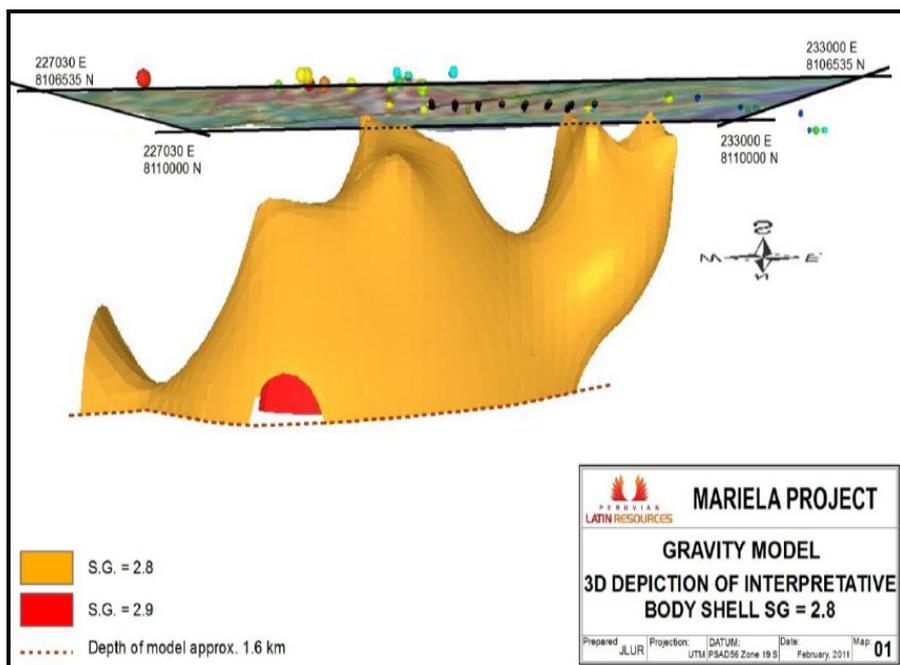
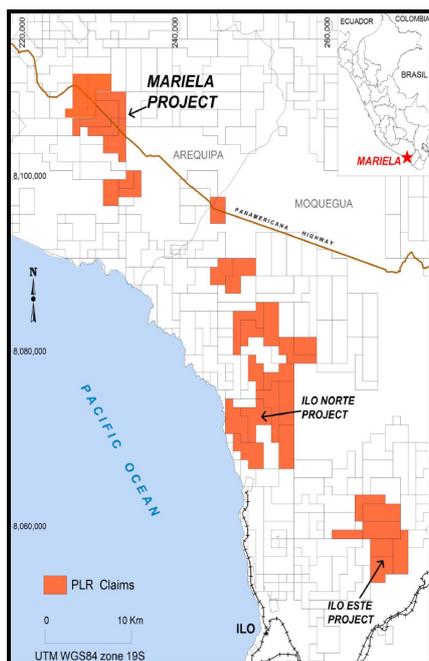
Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Guadalupito	100%	Fe,Au,Zr,Ti	na	Sands	na	Scoping Study	Peru
Ilo Norte, Ilo Sur	100%	Fe,Cu,Zn	na	Skarn	na	Mid Expl	Peru
Mariela*	100%/30%	Fe (Cu,Au)	Junefield	IOCG	na	Early Expl	Peru
Dylan*	100%/30%	Fe (Cu,Au)	Junefield	IOCG	na	Early Expl	Peru

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

The Guadalupito Project has a maiden JORC Inferred resource of 118.8mt @ 5.7%HM. A Scoping Study is underway and likely to progress to PFS in 2H12 for 10mtpa (Stage1) dry surface mining operation. Stage 1 targets production of magnetite and gold concentrates, based on a simple low cost flowsheet.



Current 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 due to start in 2Q12 .



Disclosure and Disclaimer

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