

Latin Resources Ltd. (ASX:LRS) A Sigma 2.0 in the Making

Initiating Coverage
March 20, 2023

(Currency is A\$ unless noted otherwise)

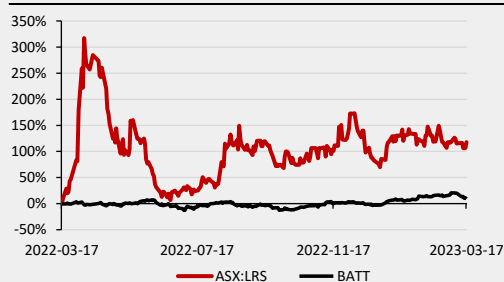
Closing Price (\$/sh)	\$0.12
Rating	BUY
Target (\$/sh)	\$0.30
Return to Target	161%
52 Week Low / High (\$/sh)	\$0.05 / \$0.23

CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	2,201.7	2,423.9
Market Capitalization (\$M)		\$253.2
Enterprise Value (\$M)		\$227.0
Cash and Cash Equivalents (\$M)		\$26.2
Total Debt (\$M)		\$0.0

STOCK CHART



RELATIVE PERFORMANCE



RELATIVE VALUATION	US\$EV/t LCE	P/NAV
Latin Resources Ltd.	\$412.7	0.30x
Peers*	\$669.0	0.51x

* S&P Cap IQ Pro

MAJOR SHAREHOLDERS

Directors & Management (3%), Citicorp Nominees (16%),
Integra Capital (10%), BNP Paribas Nominees (5%)

DISCLOSURE CODE:

1,2

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, S&P Capital IQ

Company Description

Latin Resources is an exploration company focused on advancing several of its projects in Australia, Brazil, Peru, and Argentina. The company holds interests in the following projects: Salinas lithium project in Minas Gerais, eastern Brazil; Catamarca lithium project in Argentina; Cloud Nine Halloysite-Kaolin deposit in Merredin, western Australia; and MT-03 copper project in Peru. It also holds a 13% stake in Solis Minerals Ltd. Investment.

We are initiating coverage of Latin Resources Ltd. (ASX:LRS) with a BUY rating and A\$0.30/sh target price. Latin Resources holds interests in several projects across South America and Australia, with its main focus being its 100%-controlled Salinas Li project in Minas Gerais, Brazil. **In our view, Latin is sitting on a monster hard-rock lithium deposit at Salinas and the market has yet to realize it. With drills turning in a jurisdiction that allows for fast-tracked development and a competent team driving it, we believe investors may soon take notice of Latin's potential.**

- For those who missed the boat on Sigma.** Salinas is ~70km from Sigma Lithium's (TSXV:SGML, BUY, C\$56.00 target, David A. Talbot) Grota do Cirilo project and shares similar geology. Sigma's maiden resource was in 2018 – five years later, that resource is ~6x bigger, production is imminent, and Sigma has a ~C\$5B market cap. Having only commenced drilling last year at Salinas and producing a ~396kt LCE maiden resource 11 months later (13.3Mt at 1.21% Li₂O – in line with Sigma's 2018 resource), Latin is playing catch-up. **Latin could potentially beat Sigma's five-year timeline from maiden resource to production, given that Sigma has established a blueprint to follow, and COVID slowdowns are likely behind it.** A PEA and DFS are expected this year, and permitting has begun.
- Expecting Salinas resource to more than double.** The resource is hosted entirely at the Colina deposit, which has an exploration target of up to ~816kt LCE. We think the real potential lies outside this footprint at Colina West, which we estimate can add another ~480kt LCE based on drilling thus far. This number could likely grow as resource definition drilling is still ramping up and Colina West is open in all directions. The Colina and Colina West resource update is due in Q2/23, and the geometry/proximity of these pegmatites indicates both deposits may fit into one open pit. Several other targets remain to be drilled.
- Potential for a low-cost DMS-only operation.** Simple mineralogy, with coarse-grained spodumene and low impurities, has allowed for average recoveries of 80.5% into a 6.3% Li₂O concentrate via HLS testing. Crush size was coarse, with little fines generated, indicating potential for simple DMS without the need for more costly flotation.
- The right place for a lithium mine.** The rapid commissioning of Grota do Cirilo is partially due to its location in Minas Gerais, which is literally named after mining. Salinas is road accessible to major ports, and Brazil's location is well suited to provide Li feed to international markets.
- More than lithium.** Through its other assets, Latin has exposure to copper, specialty clays (kaolin-halloysite), and rare earths.

We initiate coverage with a BUY rating and A\$0.30/sh target price. Our target is based on 0.75x our sum-of-parts derived NAVPS of A\$0.38 that includes a probability-weighted valuation for Salinas' resource growth, an in-situ valuation for Catamarca, exploration credits for MT03 and Noombenberry, and market value for its 13% stake in Solis Minerals (TSXV:SLMN, Not Rated). **Upcoming Catalysts:** 1) Salinas drilling (ongoing), 2) Salinas PEA (Q2/23), 3) Salinas resource update (Q2/23), 4) Salinas DMS pilot (Q3/23), 5) Salinas DFS (Q4/23), and 6) updates from other assets (ongoing). **Mining/exploration is inherently risky** and Latin is subject to various geopolitical, technical, corporate, or financial risks.

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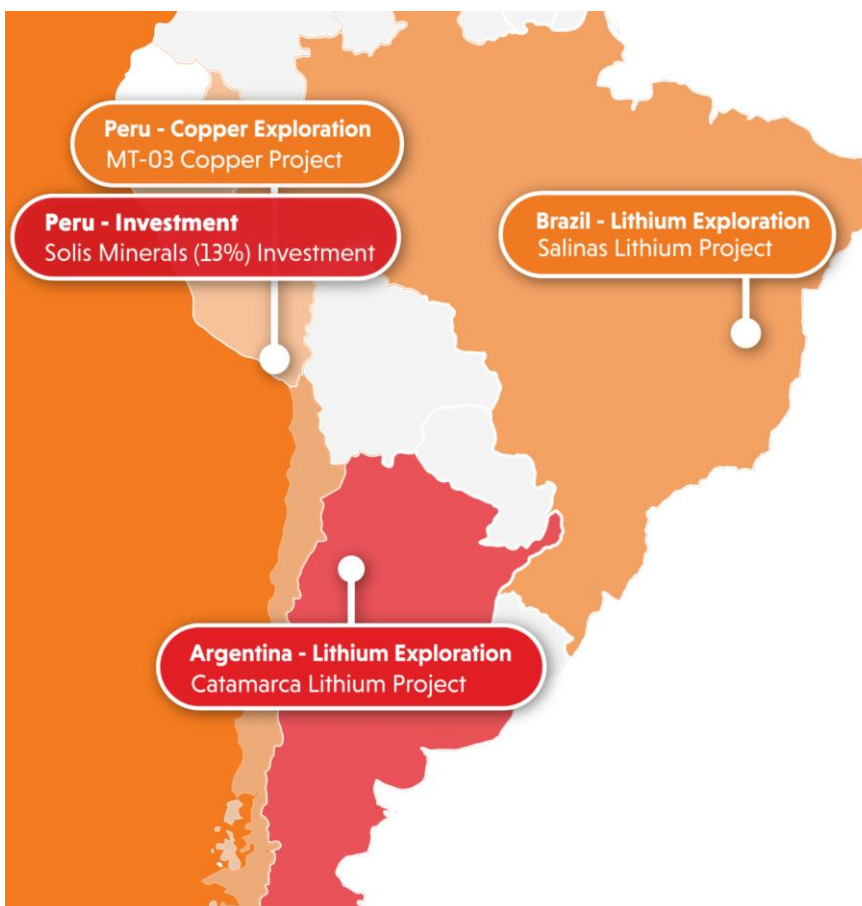
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Expected to produce up to ~42kt LCE by 2024, Brazil is fast catching up as a Li powerhouse in Latin America.

Investment Thesis

Becoming the next major Li player in Brazil. Latin Resources is a Latin America focused multi-asset resource player with a focus on Li exploration and development. While the company forayed into hard-rock Li with a successful 2017 drill campaign at its Catamarca project in Argentina, it soon mapped and acquired the prospective spodumene-rich land package near Sigma Lithium’s Grota do Cirilo project in Minas Gerais, Brazil, to consolidate what is now its flagship Salinas Li project. The company has since made momentous progress at Salinas, mirroring Sigma’s speedy path from maiden resource in 2018 to construction in 2022. Recent drilling at Salinas continues to impress and signals major growth of its recent maiden resource of 396kt LCE at the Colina deposit. Meanwhile, Catamarca continues to hold high-grade Li potential in an underexplored land package. Additional value can be unlocked from the Cloud Nine halloysite-kaolin project in southern Australia which holds a large 280Mt I&I resource with 85Mt halloysite material – a specialty mineral prized for its potential to control greenhouse gas emissions. Latin is also exposed to Cu at its MT03 project in Peru, where scout drilling is underway. Lastly, it holds a 13% interest in Solis Minerals (TSXV:SLMN, Not Rated). **With a diversified and prospective portfolio that includes a large-scale lithium discovery, driven by top-notch management, and a healthy cash balance of ~A\$26.2M (YE2022) to fund key milestones, we believe Latin is due for a material upward re-rating as it advances Salinas towards production.**

Figure 1: Latin’s assets in South America



Source: Company Reports

Salinas is located in Brazil, an emerging hub for lithium.

Brazil is an emerging lithium hub. Named after its long mining history, the state of Minas Gerais translates to “General Mines” in English. Sigma’s whirlwind success is reflective of a conducive jurisdiction with an efficient permitting timeline and world-class infrastructure (notably, Salinas is ~380km from Port Ilheus). Minas Gerais produces 53% of Brazilian iron ore, 75% of global niobium, and significant amounts of gold, zinc, and phosphate. It is already Latin America’s only hard-rock Li producer, however, the commencement of production at Sigma’s Grota do Cirilo is expected to make Minas Gerais one of the largest Li producers globally. Expected to produce up to ~42kt LCE by 2024, Brazil is fast catching up as a Li powerhouse. In 2017, the country contributed to 0.4% of the world’s Li supply, which is expected to increase by ~700% to 3.5% of the global supply in 2024. Importantly, Brazil’s location offers an alternative source of spodumene supply (vs. Australia, the dominant spodumene producer), that may be better suited to provide feed to North American end-users.

Figure 2: Brazil emerging as a Li powerhouse



Source: S&P Global Market Intelligence, RCSI

Colina is a genuine grassroots hard-rock lithium discovery.

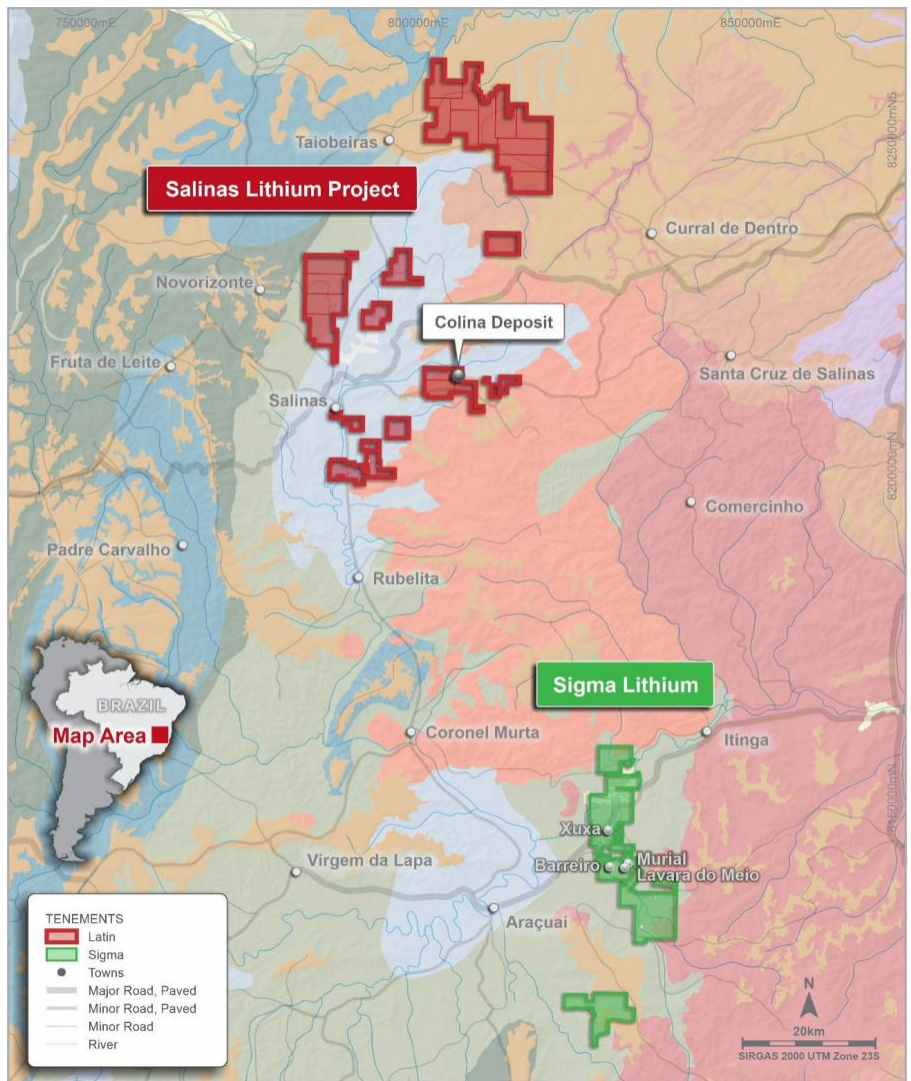
A tale of two Sigmas... When Sigma started releasing drill results in 2017, Chris Gale, Managing Director of Latin recognized its potential, and tasked local geologist and Exploration Manager, Pedro Fonseca, with finding the next Sigma. Starting from south of Sigma and moving north, Pedro mapped 140km along the same schist-granite contact where Sigma’s Li-pegmatite deposits are known to occur – a process that took him two years. On the back of his work, the team acquired what they believed to be the most prospective ground, near the municipality of Salinas (pop. ~42,000, ~1.5-hour drive from Sigma). The hard work paid off; 2019 fieldwork identified spodumene occurrences that were never previously known or reported (Figure 3). Latin quietly worked under the radar, conducting more fieldwork and acquiring more prospective ground over the next two years. Drilling kicked off in February 2022, and the resulting assays confirmed a genuine grassroots lithium discovery at the Colina prospect.

Figure 3: Colina pegmatite outcrop (left) and weathered spodumene crystals (right)



Source: RCSI Site Visit

Figure 4: Location of the Salinas and Grota do Cirilo projects in Minas Gerais



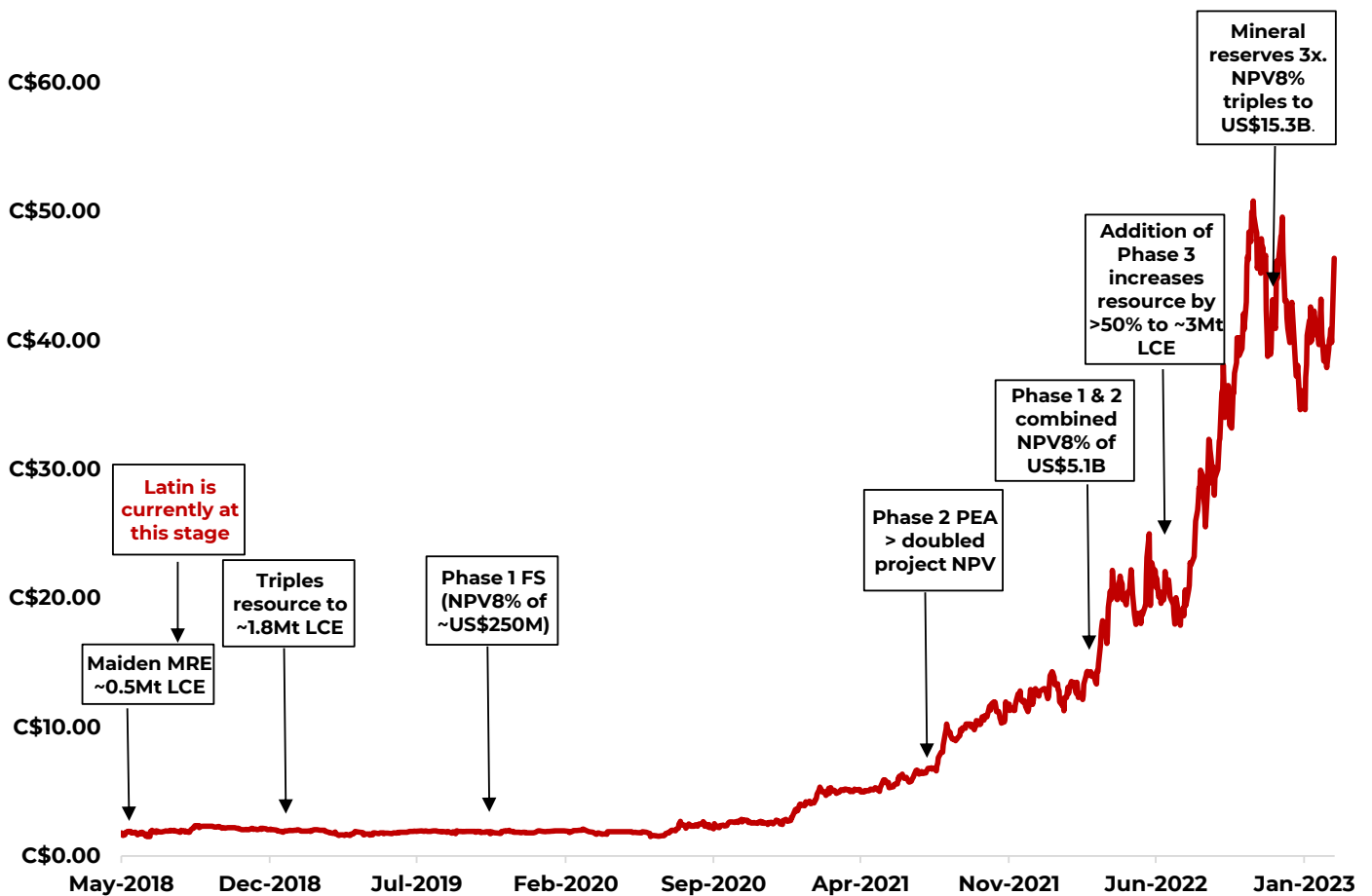
Sigma is ~70km from Salinas, a ~1.5-hour drive away via paved highway

Source: Company Reports

With a 65,000m resource expansion drill program underway and a healthy cash balance of ~A\$26M, we believe Latin is well positioned to mirror Sigma's path of success.

Following Sigma's trajectory. Latin's Salinas project bears resemblance to Sigma's Grota do Cirilo in terms of both location and geology. While Sigma is a few years ahead, Latin is catching up aggressively, having produced a maiden resource in Dec/22, in less than one year since drilling began. This maiden resource estimate of 13.3Mt at 1.21% Li₂O compares well to Sigma's initial estimate of 13.5Mt at 1.56% Li₂O in 2018. Sigma has since grown its resource to 85.6Mt at 1.43% Li₂O, commenced construction in 2021, and earmarked initial spodumene production for next month. Today, Sigma is a ~C\$5B market cap company. **We believe Latin has a serious shot at growing its resource and potentially beating Sigma's five-year timeline from maiden resource to production, given that Latin will likely not be subject to the same pandemic-related slowdowns, and Sigma has essentially provided a development blueprint for Latin to follow.** A 65,000m resource expansion drill program is underway, and additional rigs are expected to arrive to start focusing on more regional targets. Next up for Salinas, Latin plans to release a PEA following a resource update (Q2/23), construct a DMS pilot plant (Q2/23), and then release a DFS by year-end. In the background, Latin is actively working on environmental and mining permits. Construction in H2/24-H1/25 is not out of the question, and assuming all goes well, we see line of site to initial production as early as ~2026.

Figure 5: Sigma's path to ~2,500% gain since maiden MRE – Latin is currently at a stage where Sigma was in 2018

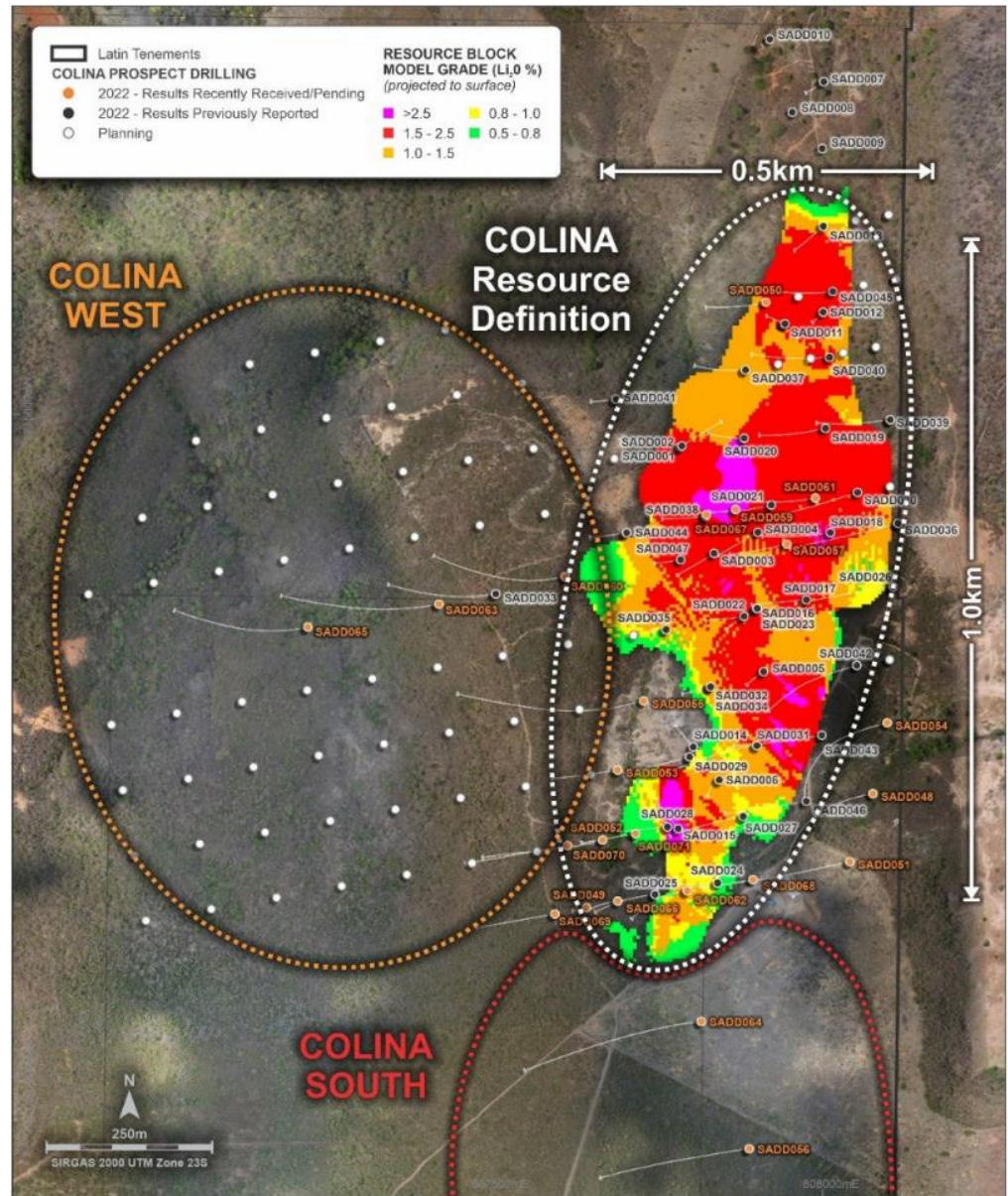


Source: RCSI, S&P Capital IQ

The Colina exploration target of up to 22Mt covers the existing Colina deposit area only, and excludes Colina West.

Colina deposit is wide open for expansion. Salinas' 13.3Mt maiden resource is hosted at the Colina deposit. While the resource was based on assays from 47 diamond drill holes (10,528m), the data from additional holes suggests an estimated target range (ETR) of 13.5-22Mt grading 1.2-1.5% Li₂O at the main Colina footprint (Figure 6), which excludes upside from other areas of the the project (e.g. Colina West, Salinas South). A series of east-dipping pegmatites have been identified to a depth of 350m, which remain open for expansion in all directions. The modelled pegmatites are interpreted to have higher thickness and grade at depths, as confirmed by recent drilling, including results of 1) **1.51% Li₂O over 20.70m** from 159m (SADD061) and **1.13% Li₂O over 10m** from 149.5m (SADD062). Importantly, the pegmatites at the adjacent Colina West target appear to trend directly below the existing Colina resource.

Figure 6: Plan view of Colina area – the exploration target of up to 22Mt applies just to the existing 1 x 0.5 km Colina resource area, and excludes Colina West



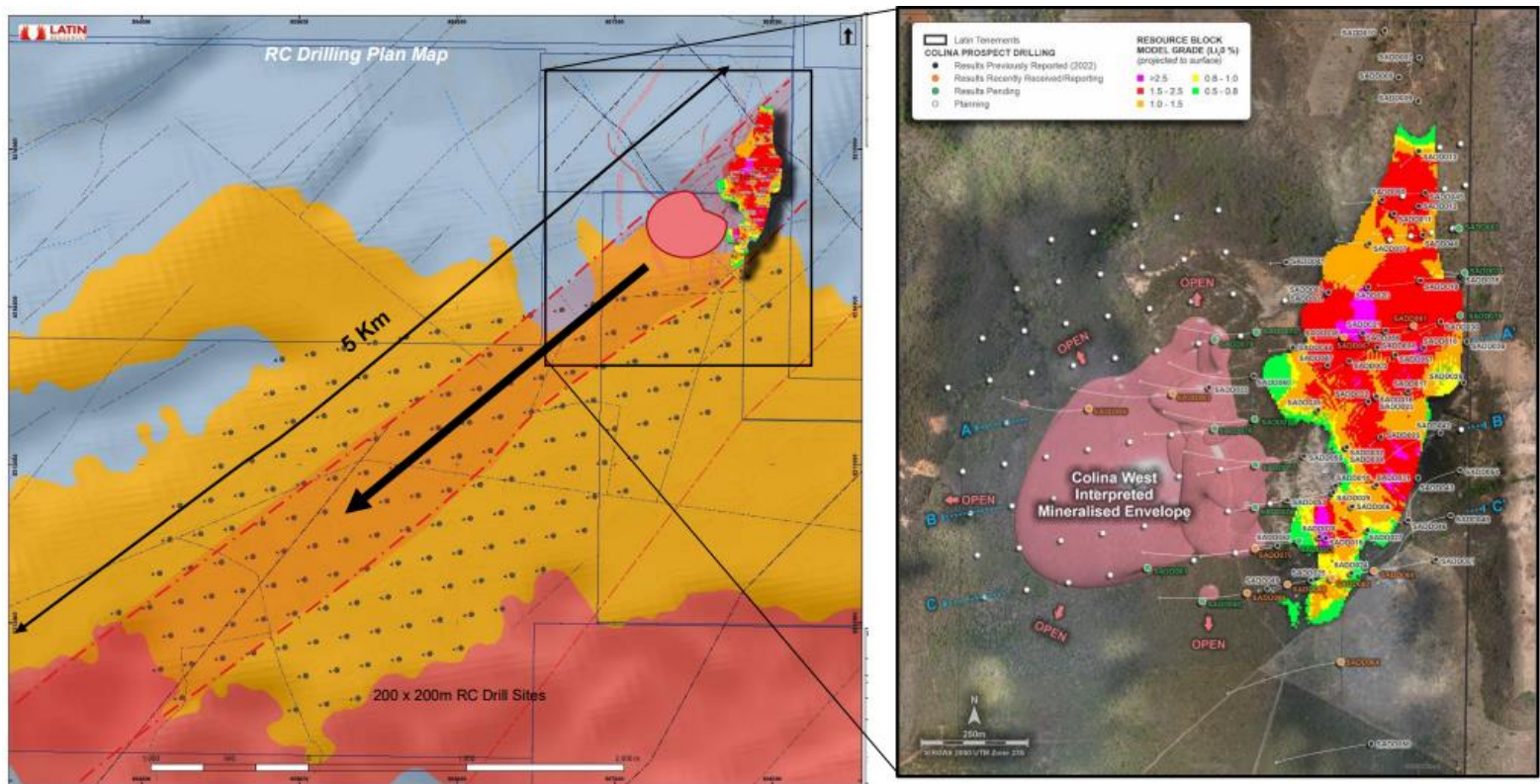
With the addition of Colina West, we believe Latin can more than double its existing resource.

Source: Company Reports

Salinas has serious exploration upside beyond Colina.

Not even Colina + Colina West together does Salinas justice. Beyond Colina West to the southwest is a layer of volcanic-tuffaceous cover preventing outcrop exposure. The current exploration model suggests that the Colina pegmatites lie en echelon in a ~5km SW-NE structural trend, and based on this interpretation, we do not see a geologic reason for the system to close off under cover. Latin plans to test this theory via an RC drill program, with the goal of finding Colina-like repeats. Meanwhile, the company is actively conducting geochemistry at more regional targets, including at Salinas South (Figure 22), where soil anomalies are expected to be drill tested in Q2/23. Further, Latin has acquired 17 new mining tenements (~29,940 ha) to the north of the Colina deposit, increasing the size of the project by >367% to over 38,000 ha. **Our Salinas valuation is based on the resource upside at the existing Colina and Colina West targets only, and excludes the vast blue sky potential that exists elsewhere at Salinas.**

Figure 8: RC drilling plan map along Colina structural corridor (left), Colina resource and Colina West envelope (right)



Source: Company Reports

Exceptional metallurgy shows potential for a DMS-only operation.

Some of the “cleanest” core we have ever seen. The Colina pegmatites have very simple mineralogy, composed primarily of quartz, feldspar, and coarse-grained spodumene crystals, with very low mica. This translates to exceptional metallurgy. Recent testing using Heavy Liquid Separation (HLS) achieved average recoveries of 80.5% into a 6.3% Li₂O concentrate with a 12.5mm crush size, demonstrating ease of spodumene liberation. Minimal fines were generated (only ~12% of the material reported to the <0.5mm fraction), and Fe content was consistently low (<1%). **The result is a highly saleable and marketable spodumene concentrate, that can likely be produced using simple, low-cost Dense Media Separation (DMS) without the need for flotation.** Later this year, Latin plans to build a DMS pilot plant to further de-risk and optimize the flowsheet.

Figure 9: Photos of drill core at Salinas, with visible spodumene crystals throughout



Source: RCSI Site Visits

Latin is one of the few companies pursuing hard-rock Li in Argentina.

Dusting off the Catamarca Li-pegmatite project in Argentina. The 50%-owned project is named after the province in which it is located, in Argentina – a country traditionally known for Li-brines. The project hosts several swarms of under-explored pegmatites with at least 20 pegmatites previously documented. Historical estimates suggest that these deposits could host >120,000 t of resources. Drilling in 2017 returned grades of up to **2.98% Li₂O over 3m** and **2.40% Li₂O over 6m**. Latin plans to return to Catamarca in H2/23 to further drill test these pegmatites.

Figure 10: Weathered spodumene (left) and historical workings (right), Catamarca



Source: Company Reports

Management has extensive experience operating in South America.

Latin also has exposure to copper in Peru and kaolin-halloysite + REEs in Australia.

The Noomberry project could be an ideal spin-out candidate for Latin.

The right team for the job. Latin's team is led by MD and founder Christopher Gale. Mr. Gale has an extensive experience in the mining industry, having held several board and executive roles over his career. He is a member of the Australian Institute of Company Directors (AICD) and was the former Chairman of the Council on Australian Latin American Relations (COALAR). Also on the board is lithium legend Peter Oliver, who was the CEO/MD of Talison Lithium for 15 years, having worked his way up from Mining Manager and COO. Talison operated the infamous Greenbushes Li mine in Australia before the company was acquired by Tianqi Lithium (SZSE:002466). On the exploration front, Anthony Greenway is leading the charge with his 25 years of mining and exploration experience. Mr. Greenway has been involved in the exploration, development and production of several gold, copper, and iron projects over his career. On our site visit, we were thoroughly impressed by the local geologists supporting him, bringing vast lithium exploration expertise and enforcing stringent QA/QC procedures.

More than a lithium company. Not to be ignored is the upside potential from Latin's other two projects which add geographical and commodity diversification to its portfolio, along with Latin's 13% interest in Solis Minerals (TSXV:SLMN, Not Rated). Solis is advancing copper projects in Peru, and recently ventured into lithium in Brazil.

Grassroots copper at MT03 porphyry project in Peru. Located in an established Cu district, Latin's 100%-owned MT03 project is an early-stage porphyry target, along trend from the Tia Maria porphyry (639Mt at 0.39% Cu and 0.19 g/t Au). Geophysics has identified a 5km-diameter circular feature (a magnetic low – possibly a phyllic alteration halo) surrounding magnetic high (a potential potassic core of a porphyry system). The company recently initiated a two-hole, 2,000m scout drilling program – results are pending.

Kaolin-halloysite + REE potential in Australia. The 100%-owned Cloud Nine deposit at the Noomberry project near Perth, Australia is a kaolinite-halloysite deposit with a JORC resource of 280Mt kaolinized granite with an average ISO-B brightness grade of 80 ([read more](#)). Kaolinite and halloysite are silicate clay minerals primarily used in the ceramics industry. Halloysite is increasingly being used in nanotechnology applications and is an efficient adsorbent that could be used to help manage greenhouse gases. Latin has partnered with Cooperative Research Centre for Contamination Assessment and Remediation of the Environment (CRC CARE) on research that has identified the potential benefits of halloysite in capturing methane gas emissions from the dairy industry when used in cow feed. The research has potential to be game-changing, given that cows are the largest sources of agricultural emissions worldwide. Halloysite is a highly-priced commodity and its market size is expected to nearly double over the next five years. Latin's key peer in the region is Andromeda Metals (ASX:AND, Not Rated) which trades at >A\$100M market cap and hosts a combined kaolin resource of >110Mt at its three projects, albeit with a brighter grade and a more advanced DFS-stage Great White project. However, the potential for rare earths at Cloud Nine have yet to be tabled into a resource – which could be a project sweetener ([read more](#)). **We believe that while Noomberry is a resource stage project, it could unlock similar economic potential and can be an ideal spin-out candidate for non-dilutive funding in future.**

Catalysts

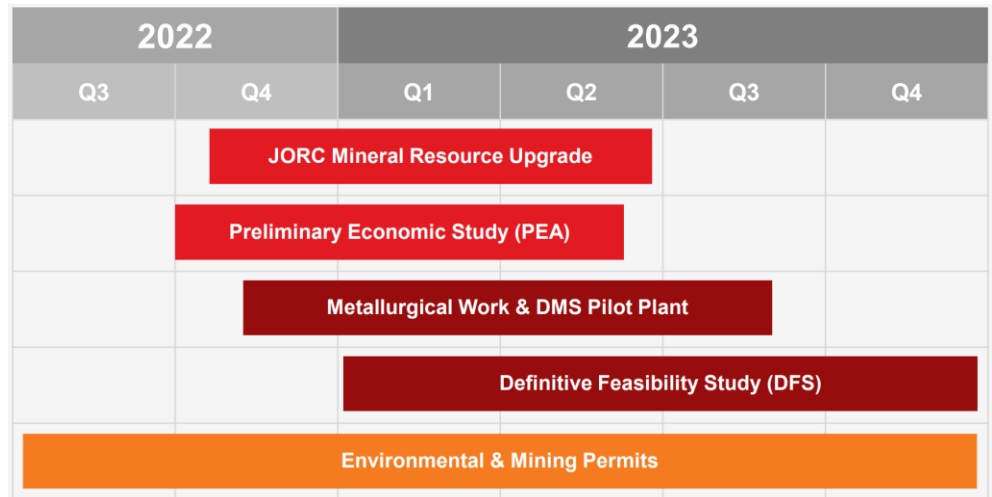
All eyes on Salinas. As we discuss in the next section, we believe the market has not yet recognized the significant resource upside at Salinas. Upcoming drill results from the ongoing 65,000m resource definition drill program may start to paint the picture ahead of the resource update in Q2/23. Also in Q2, Latin plans to release a PEA based on the existing Colina resource, as a way of demonstrating to the market that the existing resource alone has mine potential. The DMS pilot plant is expected to be commissioned in Q3, and a DFS, which should incorporate the upgraded resource (along with the pending Colina West resource), is earmarked for year-end. While we do not expect ongoing permitting work to significantly move the needle on the stock, we believe permits are key to unlocking more significant catalysts in the future, including mine construction. Outside of Salinas, investors can look forward to drill results from MT03, the commencement of drilling at Catamarca, and a potential spin-out of Noomberry.

Expect 2023 to be catalyst-rich.

Upcoming catalysts for Latin Resources include:

1. Resource definition drill results from Colina area (ongoing)
2. RC step-out drilling at Salinas (near-term)
3. Resource update for Colina and Colina West (Q2/23)
4. DMS pilot plant (Q2-Q3/23)
5. Colina PEA (Q2/23)
6. Colina DFS (late-2023 to early-2024)
7. MT03 scout drill results (near-term)
8. Catamarca drilling (H2/23)
9. Potential Noomberry spin-out

Figure 11: Salinas development timeline



Source: Company Reports

Valuation and Financial Analysis

We are initiating coverage with a BUY rating and A\$0.30/sh target price. Our target is derived using sum-of-parts of the probability-weighted valuation methodology for the Salinas project, in-situ valuation for the Catamarca JV, exploration credits for the Noombenberry and MT03 projects, and market value of the 13% interest in Solis Minerals. We have also added cash and subtracted debt to come up with a net valuation, to which we apply a 0.75x multiplier to arrive at our target price. Our 0.75x multiplier is in line with Latin's nearest peer, Sigma Lithium. To compensate for Sigma being more advanced, we used a much lower in-situ value for Salinas (US\$600/t LCE) and Catamarca (US\$300/t LCE), as described in subsequent paragraphs. **Our A\$0.30/sh price target generates a ~160% lift, justifying our BUY rating.** We note that with each new piece of exploration data, we will reconsider our estimates.

Our price target is based on our sum-of-parts valuation.

Figure 12: Valuation summary

Assets	Valuation Method	Value	
		(A\$M)	(A\$/sh)
Salinas	Probability-weighted	\$742.3	\$0.34
Catamarca JV (50%-owned)	In-situ (US\$300/t LCE)	\$41.2	\$0.02
MT03	Exploration Credit	\$5.0	\$0.00
Noombenberry	Exploration Credit	\$15.0	\$0.01
13% interest in Solis Minerals	Market Value	\$1.1	\$0.00
Total Project NAV		\$804.6	\$0.37
Corporate adjustments:			
Cash		\$26.2	\$0.01
Debt		\$0.0	\$0.00
Corporate NAV		\$830.8	\$0.38
Multiplier			0.75x
Target			\$0.30

Source: RCSI

Salinas

Our A\$0.34/sh NAVPS for Salinas was derived by applying our probability-weighted methodology to the resource growth potential at the Colina and Colina West deposit. This methodology accounts for the probability of each scenario being achieved, along with the time and money required to achieve them. Our three valuation scenarios are as follows:

- 1. Lower Case scenario: ~0.40Mt LCE (A\$0.15/sh)** – 10% probability – This scenario assumes no further resource growth from 13.3Mt at 1.21% Li₂O, which we view as highly unlikely given the drilling success that has taken place outside the current resource. Nonetheless, the Lower Case valuation is in line with Latin's current share price, suggesting that the market has yet to recognize any growth beyond the existing resource.
- 2. Middle/Base Case scenario: ~0.88Mt LCE (A\$0.31/sh)** – 70% probability – In our most likely scenario, we assume that Latin more than doubles the existing resource. We assume Latin delineates mineralization at Colina West over a 500m strike x 300m down-dip with 40m of cumulative pegmatite thickness. Assuming a 2.7 specific gravity and grades in line with current resource (1.21% Li₂O), we estimate that an additional 16.2Mt may be added to the current resource, totaling 29.5Mt at 1.21% Li₂O (~880kt LCE).

We believe resource growth potential has yet to be priced into Latin's current share price.

- 3. Upper Case scenario: ~1.53Mt LCE (A\$0.52/sh)** – 20% probability – This scenario assumes mineralization is delineated over an additional 200m of strike and 200m of depth from our Middle Case assumptions (i.e. we assume 700m strike x 500m depth x 40m cumulative thickness). Keeping the specific gravity and grades unchanged, we estimate an additional 37.8Mt to the current resource, totaling 51.1Mt at 1.21% Li₂O (~1.53Mt LCE).

As outlined in the following figure, in each scenario, we try to account for time, money, and the cost of capital to further define the target. To achieve each case, we assume the company's share price progressively increases or decreases with exploration success or failure. Additionally, the capital required to achieve each case is reduced by any work done in a prior case (i.e. to achieve the Upper Case, A\$9M is required to supplement the A\$9M required to achieve the Middle Case for a total of A\$18M). We applied an in-situ value of US\$600/t LCE based on Latin's peer group, while adjusting downwards to account for Salinas being early-stage. Sigma, which is nearby but more advanced, trades at approximately double this in-situ value. We account for time using an 8% discount rate and convert USD to AUD using an FX assumption of 0.72 USD/AUD.

Figure 13: Probability-weighted valuation for Salinas

Scenario	Description	Potential Value (A\$M)	Cost to Achieve (A\$M)	Shares to be issued to achieve this case (M)	Est. Share Count When Achieved	Per Share (A\$)	Time to Achieve (Years)	Time Adjusted Per Share Value (A\$)	Probability
Lower Case	~0.40 Mt LCE	\$330.0	\$0.0	0.0	2201.7	\$0.15	0.0	\$0.15	10%
Middle Case	~0.88 Mt LCE	\$735.6	\$9.0	60.0	2261.7	\$0.33	0.5	\$0.31	70%
Upper Case	~1.53 Mt LCE	\$1,274.2	\$18.0	27.7	2289.3	\$0.56	1.0	\$0.52	20%
Probability weighted valuation estimate (A\$/sh)									\$0.34

Notes:

Discount rate of 8%, AUD:USD FX rate of 0.72

To achieve Lower case, shares issued at current share price

Middle case shares issued in 3 tranches at an average price of \$0.15

Upper case shares issued in 3 tranches at an average price of \$0.33

Capital to be raised in subsequent cases, reduced by prior case

Assumed that any in the money warrants/options would reduce the required capital to be raised and would have a roughly neutral impact

Source: RCSI

Other Projects

We assume Catamarca has potential to host a small, albeit, high-grade resource of ~4Mt at ~2.0% Li₂O for ~198kt LCE. With less potential to become a mine in the coming years, we ascribe a US\$300/t LCE in-situ value to Latin's 50% share of ~99kt LCE. We also assign an exploration credit of C\$15M and C\$5M to Noombenberry and MT03, respectively.

Capital Structure

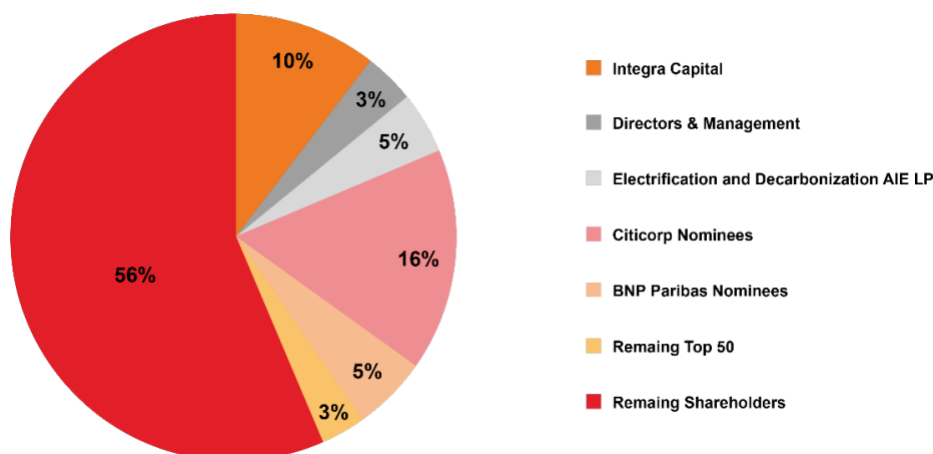
Figure 14: Capital structure of Latin Resources

Capital Structure	# of Shares (M)
Common Shares	2,201.7
Options	222.2
Fully Diluted Shares	2,423.9

Source: Company Reports

Our analysis suggests Latin is undervalued based on Salinas alone.

Figure 15: Ownership structure of Latin Resources



Source: Company Reports

Relative Valuation

We believe Latin Resources stands out from most its hard-rock Li peers in terms of resource expansion potential, metallurgy, and potential timeline to production. It currently trades at an EV/t multiple of US\$412.7/t LCE which is based on its present resource of 396kt LCE at the main Colina deposit. Drilling has demonstrated a reasonable probability that Colina West could host a similar or even larger resource, and the main Colina deposit is also likely to grow. Given that Latin is shortly planning a resource estimate on Colina West, we believe the current valuation could quickly become obsolete and the stock price is likely to re-rate in order to maintain its current multiples, which are not exorbitant to start with. We highlight that Sigma's EV/t and P/NAV multiples are more than double that of Latin, providing a peek into what Latin's future valuation could be should it repeat Sigma's development timeline. Other near-term catalysts, including a PEA and DFS for Salinas, might also trigger a re-rating as more advanced projects generally warrant higher multiples.

Latin trades at a discount to peers.

Figure 16: Peer analysis

Company	Ticker	Price (A\$/sh)	YTD Perf.	Shares (M)	Mkt. Cap A\$M	Cash A\$M	Debt A\$M	EV A\$M	Resources LCE Mt	EV/t LCE US\$/t	Consensus P/NAV	
Latin Resources Limited	ASX:LRS	\$0.12	17%	2201.7	\$253.2	\$26.2	\$0.0	\$227.0	0.4	\$412.7	0.30x *	
Rock Tech Lithium Inc.	TSXV:RCK	\$2.66	27%	96.8	\$257.8	\$46.7	\$1.2	\$212.3	0.3	\$456.3	0.43x	
Lithium Ionic Corp.	TSXV:LTH	\$2.31	42%	121.3	\$279.7	\$8.5	\$0.0	\$271.3	NA	NA	NA	
Sigma Lithium Corporation	TSXV:SGML	\$49.79	31%	103.5	\$5,153.5	\$96.3	\$0.3	\$5,057.5	3.0	\$1,203.0	0.75x	
Patriot Battery Metals Inc.	TSXV:PMET	\$12.68	92%	96.9	\$1,228.5	\$21.0	\$0.0	\$1,207.5	NA	NA	0.66x	
Critical Elements Lithium Corporation	TSXV:CRE	\$2.59	25%	217.7	\$563.4	\$34.8	\$0.0	\$528.6	0.8	\$460.1	0.45x	
Winsome Resources Limited	ASX:WRI	\$1.54	25%	170.3	\$262.2	\$10.2	\$0.0	\$252.0	NA	NA	NA	
Frontier Lithium Inc.	TSXV:FL	\$2.23	8%	226.4	\$504.8	\$32.8	\$0.2	\$472.2	1.7	\$200.8	0.43x	
Snow Lake Resources Ltd.	NASDAQCM:LITM	\$2.81	23%	17.9	\$50.3	\$26.8	\$0.2	\$23.7	0.3	\$62.8	NA	
Green Technology Metals Limited	ASX:GTI	\$0.64	-22%	253.9	\$162.5	\$29.8	\$0.2	\$132.9	0.3	\$375.9	0.36x	
Global Lithium Resources Limited	ASX:GLI	\$1.27	-31%	257.3	\$326.8	\$76.4	\$0.2	\$250.6	1.3	\$143.9	0.51x	
Vision Lithium Inc.	TSXV:VLI	\$0.12	-4%	253.9	\$30.4	\$0.9	\$0.1	\$29.5	0.0	\$2,009.3	NA	
Leo Lithium Limited	ASX:LLL	\$0.47	-4%	1197.6	\$556.9	\$85.9	\$0.0	\$471.0	3.9	\$87.2	0.30x	
Core Lithium Ltd	ASX:CXO	\$0.84	-18%	1855.0	\$1,558.2	\$125.5	\$21.5	\$1,454.2	0.5	\$2,178.9	0.89x	
Atlantic Lithium Limited	AIM:ALL	\$0.49	30%	605.7	\$294.0	\$19.1	\$0.0	\$274.9	1.1	\$181.4	0.34x	
Atlas Lithium Corporation	NASDAQCM:ATLX	\$20.38	191%	6.4	\$131.0	\$0.7	\$0.0	\$130.3	NA	NA	NA	
								Median	\$271.3	0.8	\$375.9	0.44x
								Average	\$717.9	1.2	\$669.0	0.51x

* Based on RCS NAVPS estimate

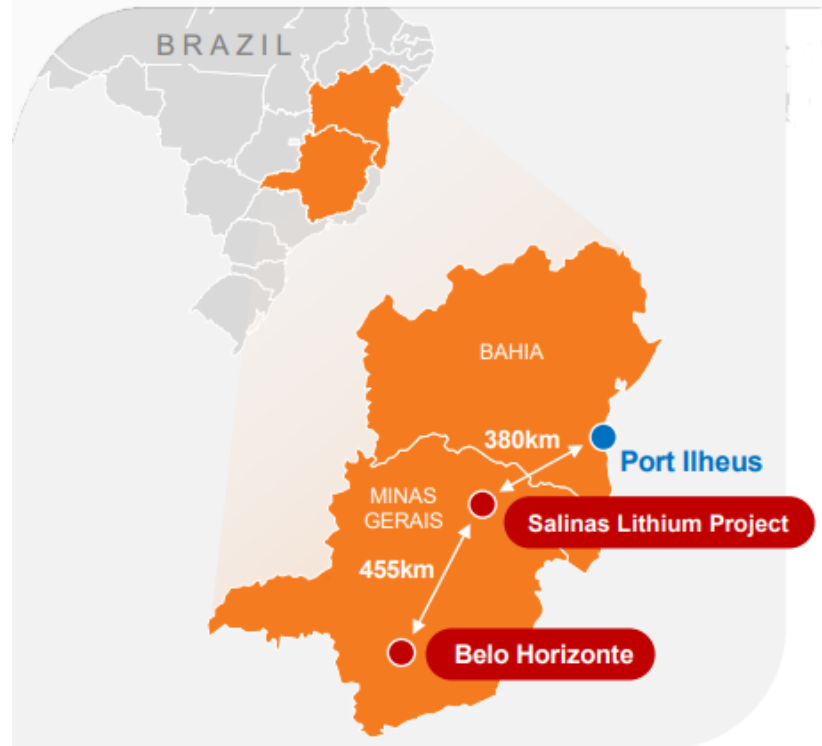
Source: RCS, S&P Capital IQ

Asset Overview

Salinas Project

The Salinas Li-pegmatite project covers ~38,100 ha in Minas Gerais, Brazil, and is 100%-controlled by Latin's Brazilian subsidiary Belo Lithium. The project is located ~10km outside of the town of Salinas (pop. ~42,000), in the Bananal Valley which is north-east of Minas Gerais and 455km northeast of Belo Horizonte.

Figure 17: Location of the Salinas lithium project



Source: Company Reports

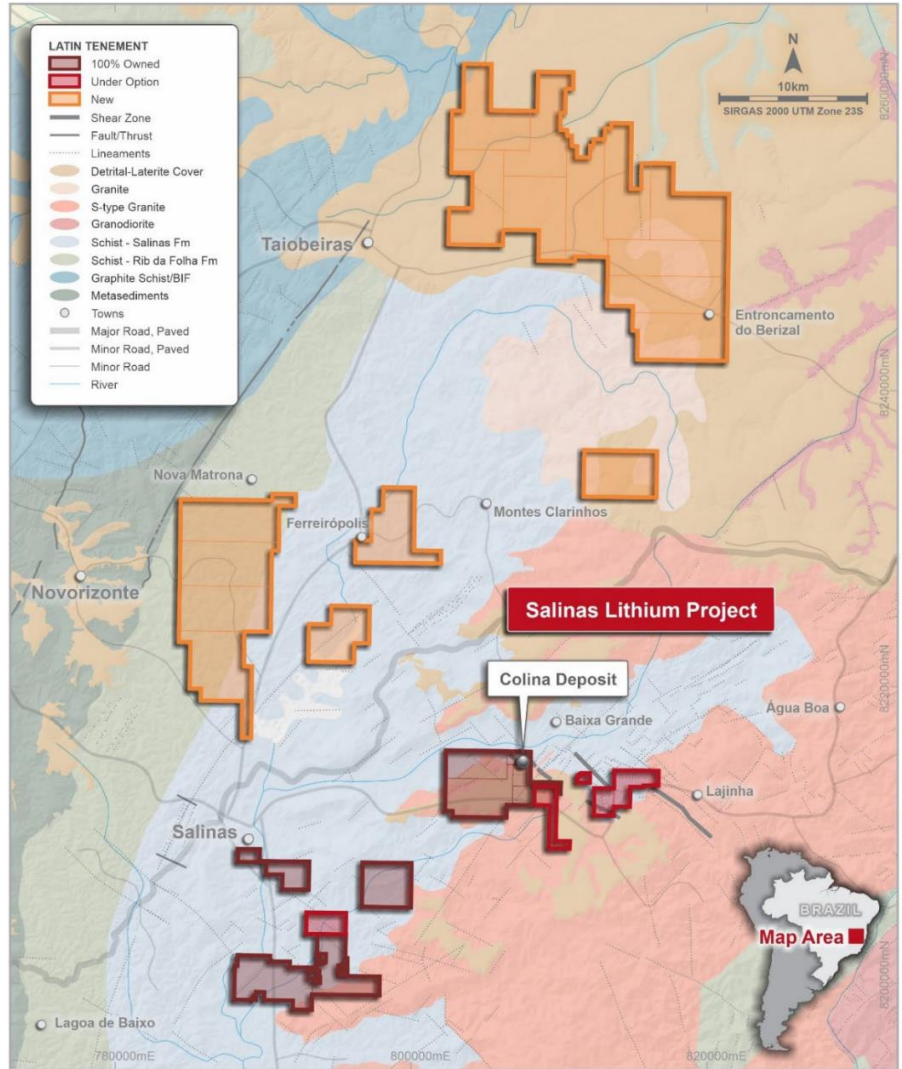
It is also ~60-70km NW (a ~1.5-hour drive) of Sigma's flagship Grota do Cirilo project (Figure 4), where production is scheduled to commence in the coming months. The project is accessible by a major sealed road and is well connected to hydroelectric power, water and the ports of Ilheus (~380km away) and Vitoria (~510km away) – which are key for shipping future spodumene concentrate.

Latin has secured multiple tenements for the Salinas project in the Bananal Valley district, including 100%-ownership of the Colina deposit and adjacent Monte Alto and Lajinga tenements. Recently, the company grew its land package by >367% through 17 new tenement applications covering ~29,940, along with securing options to earn up to a 100% interest on the remaining land package ([read more](#)). The following figure shows which tenements are 100%-owned by Latin, and which are under option. Importantly, the Colina deposit is 100%-owned by Latin.

Minas Gerais is literally named after mining.

Salinas is road accessible.

Figure 18: Map of Latin's tenements in the Minas Gerais state of Brazil



The Colina deposit is 100%-owned by Latin.

Source: Company Reports

Geology

The Colina area has been the main focus of exploration on the Salinas project. The Colina system, which includes both Colina and Colina West, are represented by a series of shallow, east-dipping, stacked pegmatite dykes, several of which outcrop at surface, and are believed to originate from peraluminous S-type granites. The pegmatites occur in similar chlorite schist-metasediment host rocks seen at Sigma's Grota do Cirilo (Figure 19), and occur in proximity to the same north-south schist-granite contact. Latin's current exploration model suggests that locally, the Colina pegmatites occur within a ~5km-long structural corridor that trends southwest (Figure 8). Beyond Colina West, however, is a layer of volcanic-tuffaceous cover, preventing outcrop exposure.

Salinas shares similar geology to Grota do Cirilo.

Lithium mineralization at this area is almost exclusively found within spodumene, with no occurrences of other lithium-bearing minerals identified at Colina thus far. At surface, the spodumene crystals are highly weathered (Figure 3) and are usually much lower grade than the spodumene found below.

Figure 19: Colina discovery outcrop, looking east at the schist-pegmatite contact



Source: RCSI Site Visit

Colina deposit has an exploration target of 13.5-22Mt at 1.2-1.5% Li2O.

Resources

A total of 57 holes (14,195m) were drilled at Colina in 2022, of which 47 holes (10,528m) were used to produce a maiden JORC resource estimate of 13.3Mt at 1.2% Li2O, that included 2.08Mt at 1.2% Li2O Indicated and 11.17Mt at 1.2% Li2O Inferred. However, additional drilling suggested that the deposit remains open in all directions with pegmatites interpreted to increase in thickness and grade at depth. Based on this, a new exploration target of 13.5-22Mt at 1.2-1.5% Li2O was provided for the Colina prospect, which does not include any upside potential from other targets such as Colina West and Salinas South ([read more](#)). Further, several pegmatites from the Colina West zone trend below the resource at the main Colina deposit.

Figure 20: Maiden mineral resource estimate for Colina (Dec/22)

Deposit	Resource Category	Grade Cut-off	Tonnes (Mt)	Grade (Li2O %)	Li2O (Kt)	Contained LCE (Kt)
Colina	Indicated	0.5	2.08	1.21	25.1	60
	Inferred	0.5	11.17	1.21	135.2	334
Total			13.25	1.21	160.3	396

Source: Company Reports

Ongoing Exploration

Colina West is an upcoming target, ~500m to the west of the Colina resource area that represents the extension of the Colina system. It was discovered in hole SADD033 from 2022 drilling, that returned 1.32% Li2O over 18.71m.

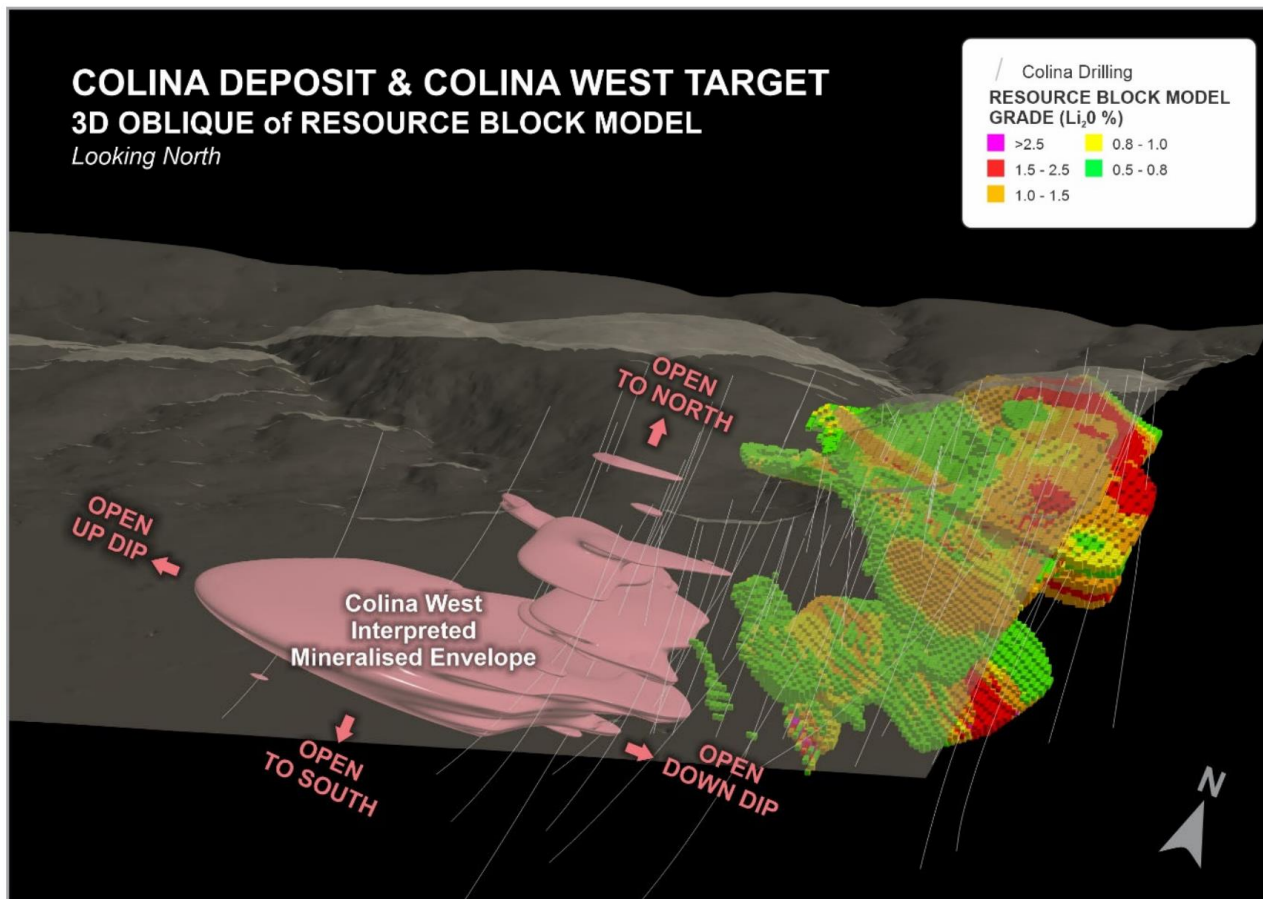
Since then, several step-out holes have continued to confirm prospectivity at Colina West, with mineralization now extended >500m along strike and 300m up-dip. Pegmatites range in thickness, up to 30m, and add up to an average cumulative thickness of ~30-50m (Figure 7). Importantly, Colina West's proximity to the current resource area indicates that both prospects could potentially be mined together in a single open pit. Highlights from recent drilling at Colina West include:

Colina West has several stacked pegmatites with a cumulative thickness of ~30-50m.

- 1) 1.69% Li₂O over 16.43m and 1.56% Li₂O over 18.89m (SADD070)
- 2) 1.61% Li₂O over 16.0m (SADD055)
- 3) 1.61% Li₂O over 11.16m (SADD055)
- 4) 1.96% Li₂O over 10.85m (SADD055)
- 5) 1.38% Li₂O over 13.73m (SADD055)

A 65,000m drill program is currently underway to upgrade current resource and identify limits of the mineralizing system. Over 3,000m has been drilled YTD in 2023. This drilling is expected to feed into an updated resource estimate for Colina, and a maiden resource for Colina West, ahead of the project's PEA (anticipated in H1/23) and DFS (Q4/23).

Figure 21: 3D view of Colina West envelope and Colina resource model

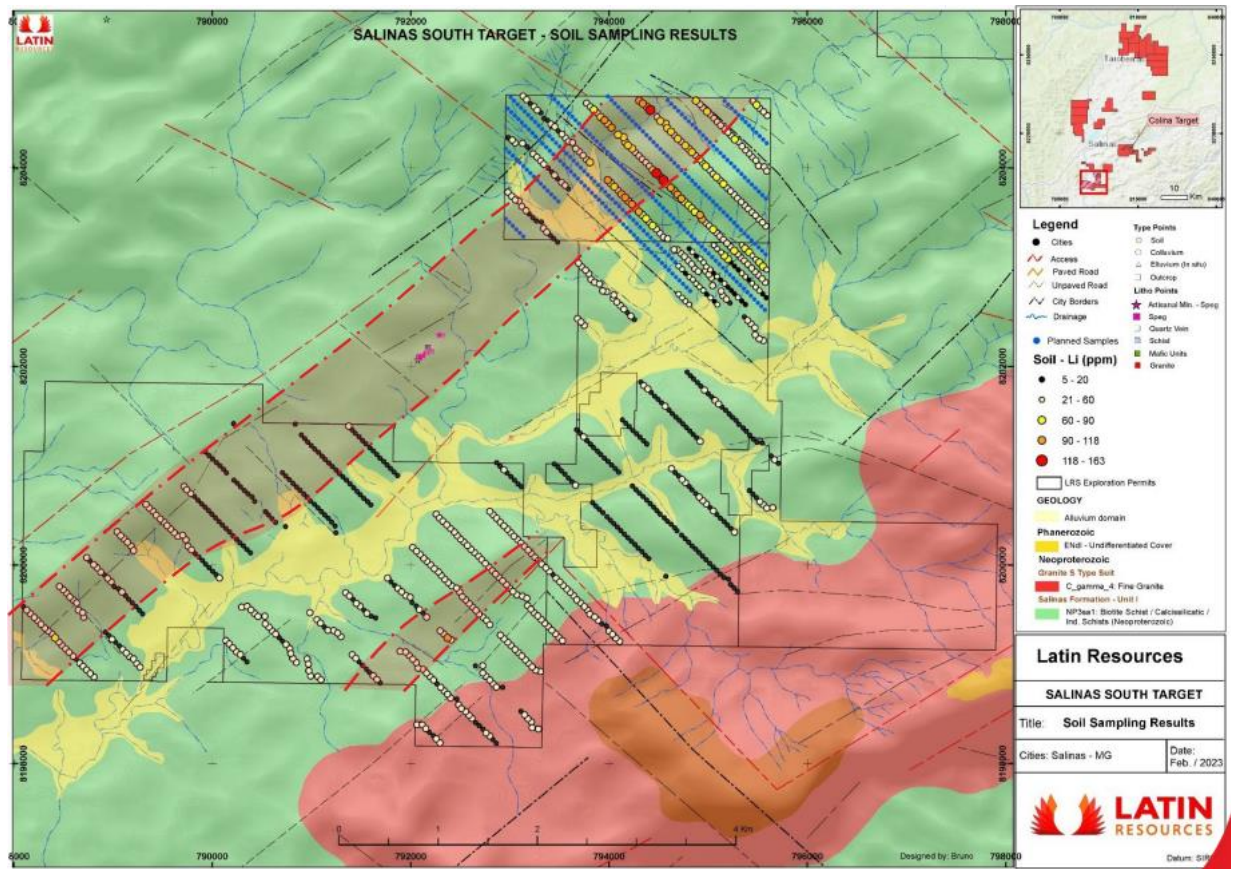


Source: Company Reports

The Colina system remains open in all directions, and soon, the company plans to add two RC rigs to conduct step-out drilling at the ~5km Colina corridor, testing for pegmatites under the detrital-laterite cover (Figure 8).

Additional upside potential comes from the Salinas South prospect, where geochemical anomalies are well-aligned with known spodumene occurrences in the region. A Phase 2 initial soil sampling program is underway with first pass drill testing scheduled for Q2/23.

Figure 22: Geochemical soil sampling results at Salinas South



Source: Company Reports

HLS demonstrates high recoveries into a high-grade spodumene concentrate.

Metallurgy

The company recently announced positive metallurgical testwork results using heavy liquid separation (HLS) on 10 samples (367 kg) from the Colina prospect ([read more](#)). These samples were collected across the strike length of the prospect, half of which targeted the upper portion, with the other half targeting the lower portion. The samples also included waste material between the ore zones to simulate mining dilution. The testwork followed the previous test results which saw 78.72% Li₂O recovered into a 6.57% Li₂O concentrate on a smaller sample and crush size. Crush sizes were doubled to 12.5mm with average recoveries of 80.5% Li₂O into a 6.30% Li₂O concentrate (up to 6.6% Li₂O). Meanwhile, higher-grade concentrates up to 7.96% Li₂O were achieved in the 6.3-1.7mm size fraction. These results also showed that consistently low Fe content, which bodes well for product saleability and marketability. Importantly, metallurgical performance was relatively consistent across the orebody, which could simplify future operations. Minimal fines were generated, with only ~12% of the material reporting to the <0.5mm size fraction, which suggests a smaller footprint of the flotation plant, offering positive implications from both CapEx and OpEx standpoints – although the results thus far show that flotation might not be a necessary step to achieve a high-grade concentrate, and that a simple, low-cost, DMS-only flowsheet, may be feasible. Work on a DMS pilot plant is underway and it is expected to be commissioned in Q2-Q3/23.

Latin is advancing Catamarca with a local Argentinian JV partner.

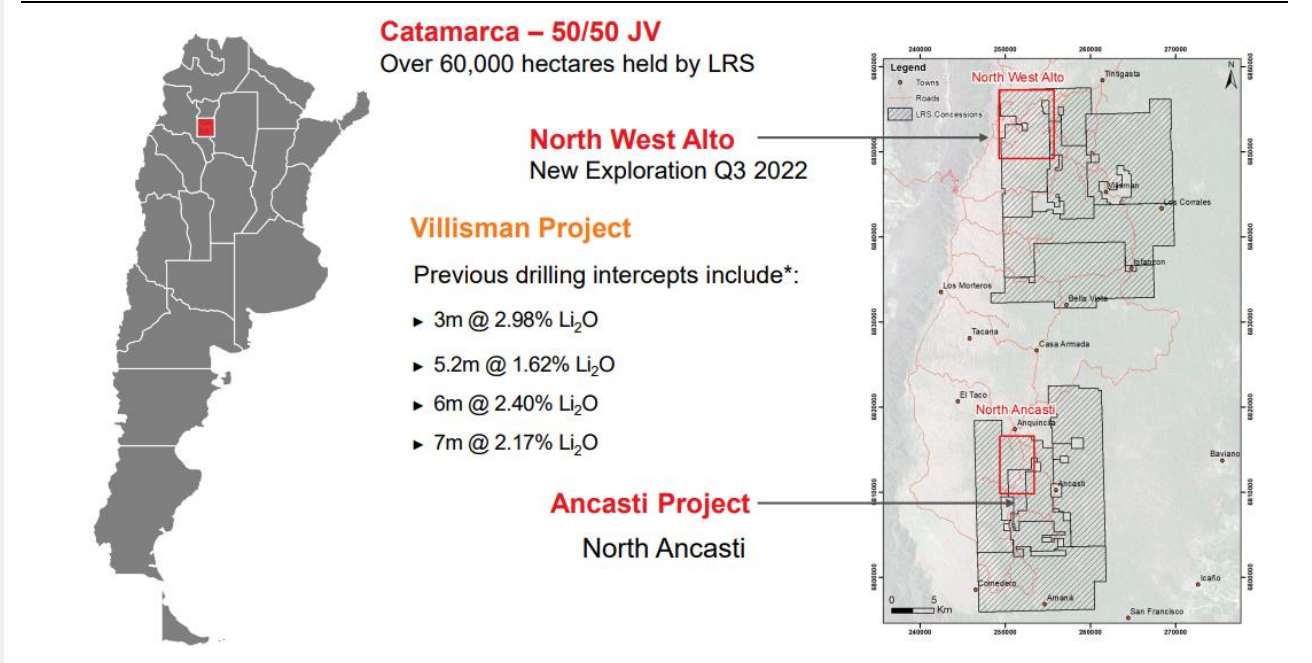
Catamarca Project

The Catamarca Li project is one of the largest hard rock spodumene landholding in Argentina, totalling more than 60,000 ha. The project contains two areas, Villisman and Ancasti, each with past Li mining activity, that together host more than 20 Li-bearing pegmatite dykes. Latin currently has a 50/50 JV agreement with Integra Lithium, an Argentinian investment group, for the Catamarca project.

The rock chip and soil sampling program at the Northwest Alto region within the Villisman project area indicated the presence of lithium. Drilling in 2017 returned intercepts including: 1) 2.98% Li₂O over 3m (LCRC004), 2) 1.62% Li₂O over 6.0m (LCRC001), 3) 2.30% Li₂O over 4m (LCRC002), and 4) 2.17% Li₂O over 7m (PDMRC002). Additionally, samples grading 1.219% Li₂O were retrieved from the only exposed mine within the area.

Ongoing fieldwork has identified new areas of spodumene-bearing pegmatite outcrop, returning high-grade results. Further work is now being conducted to identify drill targets for H2/23, including systematic geological mapping and rock chip sampling. Additionally, Latin is expected to commence several community relations and engagement programs within the project area.

Figure 23: Location of Catamarca project (left) and tenement map (right) with past drilling intercepts

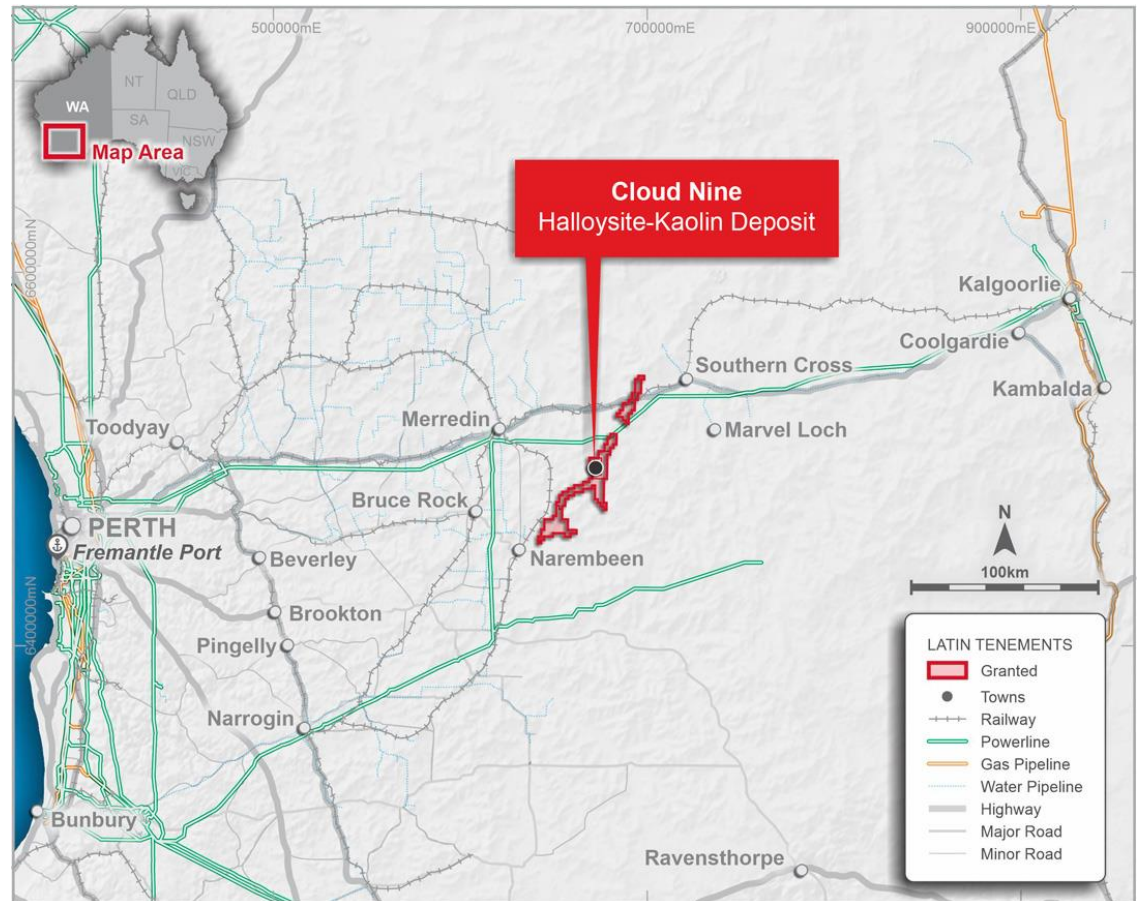


Source: Company Reports

Noombenberry Project

The Cloud Nine halloysite-kaolin deposit is part of the company's 100%-owned 560km² Noombenberry project, located ~350km east of Perth and to the southeast of the town of Merredin. Noombenberry is midway between Perth and Kalgoorlie, and is transected by a highway, powerline and railway. The project hosts an I&I resource of 280 Mt of kaolinized granite which comprises 85Mt of halloysite material and 195Mt of kaolinite material.

Figure 24: Location of the Cloud Nine project



Source: Company Reports

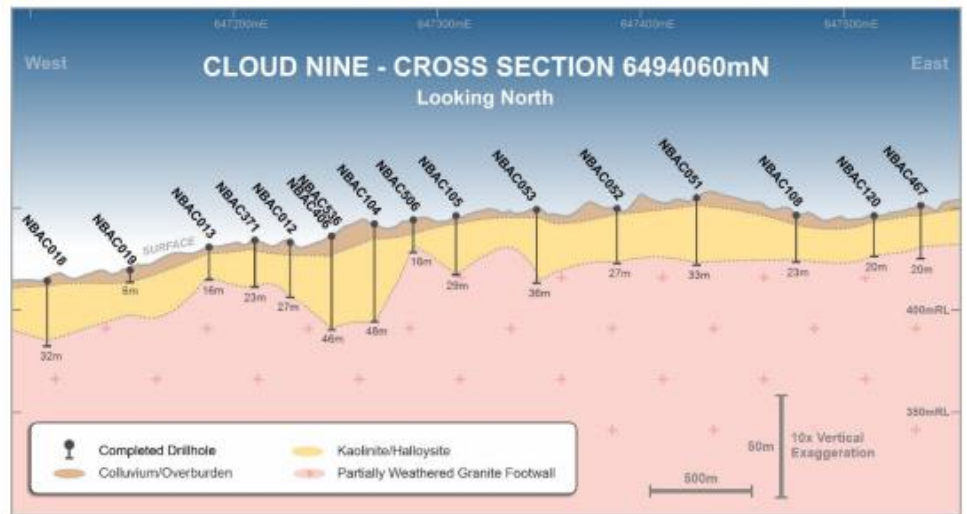
Noombenberry hosts the Cloud Nine speciality clay deposit.

Geology

The Noombenberry project is situated in the southwest of the Archean Yilgarn Craton, which is largely composed of granite and granitic gneiss overlain by Cenozoic sediments. The project contains a relatively undulating topography, with a well-developed regolith profile which at depth consists of granite bedrock overlain by weathered granite with increasing clay content, followed by a saprolite zone capped with soil and colluvium cover.

The clay mineralization is hosted in the saprolite and transition zone with basement granite making up the lower boundary and the sandy soil at top of the mineralization zone.

Figure 25: Geology at the Noombenberry project



Source: Company Reports

Exploration and Resources

To date, two air core drilling campaigns have been conducted at the project with 404 vertical holes up to an average depth of 26m. Shallow cover and widespread mineralization should lead to a low strip ratio and bode well for project economics.

280Mt of kaolinized granite at Cloud Nine.

In November 2022, the company released an updated mineral resource estimate, which outlined 280Mt of kaolinized granite with ISO B grade of 80 – a 33% increase from the previous estimate. Mineralization remains open in all directions with potential for further expansion.

The 280Mt resource contained 70Mt of kaolin in the indicated category, which was upgraded from inferred. The remaining 210Mt of inferred resource consisted of 125Mt kaolinite and 85Mt halloysite.

The upgraded mineral resource contains a total of ~116Mt bright white kaolinite-bearing material including 26.7Mt in the indicated category with an ISO-B grade of 81, and 90Mt in the inferred category with an average ISO-B grade of 79, reported to the <45µm size fraction.

Figure 26: Mineral resource estimate (Nov/22) at Noombenberry at >75 ISO-B cut-off

Classification	Mineral	Mass Mt	Brightness ISO-B	<45 µm %
Inferred	Kaolinite	125	79	44
	Halloysite	85	80	44
	Total	210	79	44
Indicated	Kaolin	70	81	39.8
Indicated + Inferred		280	80	43.1

Source: Company Reports

Figure 27: Noombenberry mineral resource estimate at a >75 ISO-B cut-off for the <45µm fraction

Classification	Mineral	Mass Mt	Brightness ISO-B	Kaolinite %	Halloysite %	Kaolinite kt	Halloysite kt
Inferred	Kaolinite	55	79	81	0.3	44,000	150
	Halloysite	35	80	77	10	29,000	3,600
	Total	90	79	79	4	73,000	3,800
Indicated	Kaolin	26.7	81	77.9		21,000	
Indicated + Inferred		116	80	79	4	94,000	3,800

Source: Company Reports

Figure 28: Noombenberry mineral resource estimate at a >75 ISO-B cut-off for the <45µm fraction

Classification	Mineral	Al ₂ SiO ₃ %	Fe ₂ O ₃ %	SiO ₂ %	TiO ₂ %	LOI% kt
Inferred	Kaolinite	35	0.8	49	0.7	12
	Halloysite	35	0.8	49	0.6	12
	Average	35	0.8	49	0.7	12
Indicated	Kaolin	35.5	0.7	49.2	0.47	12
Average		35	0.8	49	0.6	12

Source: Company Reports

Cloud Nine has rare earth potential.

REE Potential

Recent analysis on 78 drill samples (<45µm) confirmed widespread clay-hosted REE mineralization and contained a high proportion of magnetic rare earths. Thirty samples returned >1,000 ppm total rare earth oxide (TREO), and five samples returned >3,500 ppm TREO, with the top sample returning 3,617 ppm TREO. These results compare favourably to typical commercial clay-hosted REE mining grades of ~500-2,000 ppm TREO. The average proportion of the total mix is ~22% magnetic rare earth oxides (MREO), with Nd being the dominant magnetic contributor. Magnetic rare earths are the key ingredients in EV motors and wind turbines. Rare earths have yet to be tabled into a resource, and doing so remains subject to metallurgical testing.

Next Steps

The company is seeking offtake customers for its processed kaolin and halloysite products and has delivered bulk samples to potential customers. Meanwhile, it continues to analyze data from test pits to refine preliminary assumptions related to mining, stockpile designs, equipment selection, and geotechnical assumptions. Additionally, a desktop environmental study has been completed, which is likely to be helpful in applying for relevant environmental approvals.

Halloysite has properties that may allow it to reduce greenhouse gas emissions from cattle.

Latin has partnered with CRC CARE to conduct a three-year, A\$3.2M research project to investigate the potential use of its halloysite in cattle feed, taking advantage of halloysite's unique adsorption properties to reduce methane emissions.

Noombenberry is a candidate for a potential spin-out.

MT-03 Project

The MT-03 Cu project is located in southern Peru and 100%-owned by Latin's subsidiary, Peruvian Latin Resources SAC.

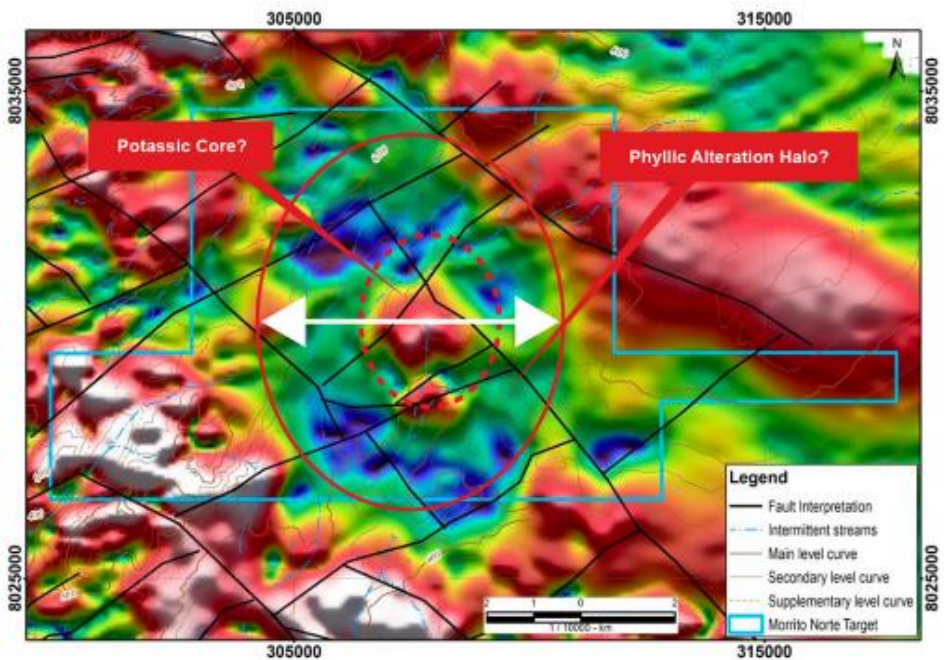
The project has a 5km diameter circular feature in the analytical signal processed from aeromagnetic data that shows a donut-shaped low surrounding and a central high, interpreted as a potential phyllic alteration halo and potassic core, respectively. These are characteristics of a potential porphyry target in the Southern Peru Cu belt that is covered by sediments.

Geology and Exploration

The geology at the project area is characterized by an alluvial and young volcanic deposit in the low coastal range, not appearing to include any underlying rocks and host mineralization. Outcropping intrusive rocks to the west of the target area are formed together with a geomorphological assessment that suggests it may cover less than 200m thick. An initial scout drilling program, comprising two diamond drill holes (~1,000m each) began late-2022, with results pending.

Results from MT-03 Cu project remain pending.

Figure 29: Illustration of MT-03's potassic and phyllic alteration halo



Source: Company Reports

Risks

Mining operations and projects (exploration and development) are inherently risky investments given the large initial expenses that are required in advance of any potential revenue. Our view is based on publicly available information and conversations with management. We note that our estimates and view are not without political, social, technical, geological, or financing risks typical for junior mining and exploration-stage companies. For Latin Resources Ltd., four risks are of note.

1. **Geopolitical/jurisdictional risks** – Some of these risks may be out of the control of the company, including royalty and taxation levels, land agreement liabilities, regulatory, environmental and permit requirements and timing, global trade wars and political instability.
2. **Technical risks** – This covers a wide variety of issues that we see associated with the project including exploration, development and exploitation strategies and methods. It would cover such issues as accuracy of geological interpretation, resource/reserve estimates and economic studies and inputs such as commodity prices, cost and grade fluctuations, assay reconciliation, metallurgical issues, and exploration success. Our positive view relies on using existing technical data, recent exploration results and to a limited extent, expected positive results from future drilling. Future results may differ and negatively impact our assumptions.
3. **Corporate risks** – These may include project execution by management, investor relations effectiveness, or market sentiment. Management pedigree and performance are paramount, and market sentiment may also be an issue. While we expect the lithium market to remain robust in the near future, we note that our estimates may be negatively impacted by a change in market sentiment.
4. **Financial risks** – These may occur at the operational, project or corporate level, including variation in valuation parameters or metrics, commodity price or foreign exchange fluctuations, access to credit including debt, equity financing or potential for shareholder dilution.

As new information becomes available, we may refine our numbers and update our risks.

Appendix: Management & Directors

David Vilensky (Non-Executive Chairman)

Mr. Vilensky is a practising corporate lawyer and an experienced listed company director. He is the Managing Director of Perth law firm Bowen Buchbinder Vilensky and has more than 35 years of experience in the areas of corporate and business law and in commercial and corporate management. Mr. Vilensky practises in the areas of corporate and commercial law, corporate advisory, mergers and acquisitions, mining and resources and complex dispute resolution. He works with several listed and public companies and advises on directors' duties, due diligence, capital raising, compliance with ASX Listing rules, corporate governance and corporate transactions generally. Mr. Vilensky is also a non-executive director of ASX-listed telecommunications and technology company Vonex Ltd (ASX:VN8, Not Rated).

Christopher Gale (Managing Director)

Mr. Gale is the founder (2008) and Managing Director of Latin Resources. He has extensive experience in senior management roles in both the public and private sectors, especially in commercial and financial roles. He has also held various board and executive roles at several mining and technology companies during his career. Mr. Gale is also a non-executive Chairman of Solis Minerals Ltd. (TSXV: SLMN, Not Rated) (appointed July 2018) and Non-Executive Chairman of Oar Resources Limited (ASX:OAR, Not Rated). Chris is the former Chairman of the Council on Australian Latin American Relations (COALAR) from 2012 to 2018, which was established by the Australian Government Department of Foreign Affairs and Trade (DFAT) in 2001. He is a founding director of Allegra Capital, a boutique corporate advisory firm based in Perth and is a member of the Australian Institute of Company Directors (AICD).

Brent Jones (Non-Executive Director)

Mr. Jones is an experienced financial services professional who has held numerous directorships and managerial positions. Currently he acts as the Head of Professional Services at Sequoia Financial Group (ASX:SEQ, Not Rated). Prior to joining Sequoia, Mr. Jones was a founder of InterPrac Ltd, a nationally recognized participant to the advice industry. InterPrac was sold to Sequoia in 2017. As a professional and personal investor, Mr. Jones has been involved in M&As, IPOs, capital raisings, early seed funding and development funding activities. Mr. Jones has a degree in Information Technology from Monash University, is a member of the National Tax and Accountants Association and is a Graduate of the Australian Institute of Company Directors (AICD).

Peter Oliver (Non-Executive Director)

For the last 15 years Mr. Oliver has been CEO/MD of Talison Lithium and then a corporate adviser to Tianqi Lithium. In this role he assisted Tianqi both in its M&A activity and in recruiting key personnel to establish Tianqi's growing presence outside of China. With a background in Chemistry, Mr. Oliver's early career was in operational mining roles, with a focus on process improvements and structural optimization. This included roles as General Manager of Talison's Greenbushes and Wodgina mines and as COO of Talison. Throughout his career Mr. Oliver has built an extensive skill set in mining operations, developing and leading strong corporate teams,

managing a public company, and acting as an adviser in corporate structures and global M&A and financing.

Anthony Greenway (General Manager, Geology)

Mr. Greenaway is a senior geologist with over 25 years of international mining and exploration experience in Australia, Latin America (Chile & Mexico), Asia (Indonesia) and Africa. He has been involved with the exploration, development and production of copper and gold projects with Hancock Prospecting, Iron Ore Mining, White Star Resources and Talisman Mining (ASX:TLM, Not Rated). Mr. Greenaway is a member of the Australasian Institute of Mining and Metallurgy and has a Bachelor of Science in Geology from Curtin University and Graduate Diploma in Education from the University of Western Australia.



Koby Kushner | Mining Analyst
Alina Islam | Senior Research Associate
Daniel Kozielowicz | Research Associate
Shikhar Sarpal | Research Associate
Patrick Smith | Research Associate
Surya Sankarasubramanian | Research Associate

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Disclosure Statement
Updated March 17, 2023

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	Rating	Target	Status	%
2022-11-04	NA	NA	BUY	73%
2022-11-30	NA	NA	BUY (S)	23%
2022-12-09	NA	NA	HOLD	0%
2023-01-25	NA	NA	TENDER	0%
2023-02-17	NA	NA	NA	1%
2023-03-06	NA	NA	UNDER REVIEW	3%

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Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
Latin Resources Ltd.	ASX:LRS	1,2

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3. In the last 12 months preceding the date of issuance of the research report or recommendation, Red Cloud Securities Inc. has performed investment banking services for the issuer.
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- Not Rated or NA – currently restricted from publishing, or we do not yet have a rating
- Under Review – our rating and target are under review pending, prior estimates and rating should be disregarded.

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