

Latin Resources Ltd. (ASX:LRS)

Exploration Update

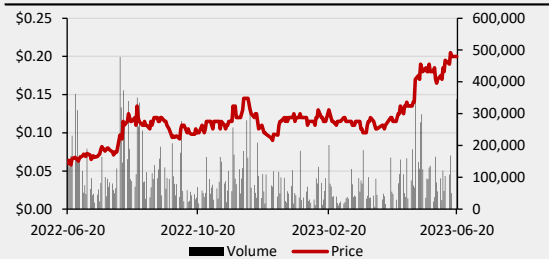
June 20, 2023

Major Salinas MRE Update; Tonnage Rises by 241% to ~45.2 Mt at Colina

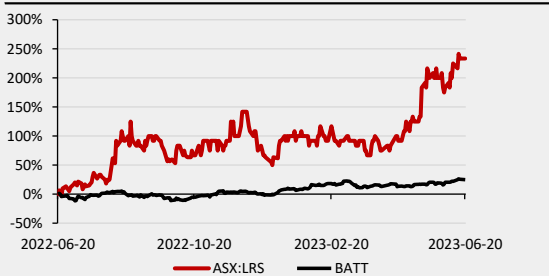
(Currency is A\$ unless noted otherwise)

Closing Price (\$/sh)	\$0.20	
Rating	BUY	
Target (\$/sh)	\$0.70	
Return to Target	250%	
52 Week Low / High (\$/sh)	\$0.06 / \$0.23	
CAPITALIZATION		
	Basic	Diluted
Shares Outstanding (M)	2,528.0	2,750.2
Market Capitalization (\$M)	\$505.6	
Enterprise Value (\$M)	\$458.5	
Cash and Cash Equivalents (\$M)	\$47.1	
Total Debt (\$M)	\$0.0	

STOCK CHART



RELATIVE PERFORMANCE



RELATIVE VALUATION

	US\$/t LCE	P/NAV
Latin Resources Ltd.	\$223.5	0.22x
Peers*	\$719.3	0.58x

* S&P Cap IQ Pro

MAJOR SHAREHOLDERS

Management (14.22%), Waratah Capital Advisors Ltd. (4.55%)

DISCLOSURE CODE:

(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.

Impact: Very Positive

Latin Resources provided an updated mineral resource estimate (MRE) for the Colina deposit, part of its 100%-owned Salinas Li pegmatite project in Brazil. The M&I+I resource has increased to ~45.2Mt at an average grade of 1.32% Li₂O, which represents a 241% and 9% increase, respectively (Figure 1). Overall, this is a very positive update given Latin has increased its resource base significantly within seven months of its maiden resource ([read more](#)). **We believe this MRE update marks a significant milestone for Latin, with potential room to grow further at depth and SW along the 4km-long Colina corridor. As a result of this MRE, we are increasing our target to A\$0.70/sh (was A\$0.30/sh).**

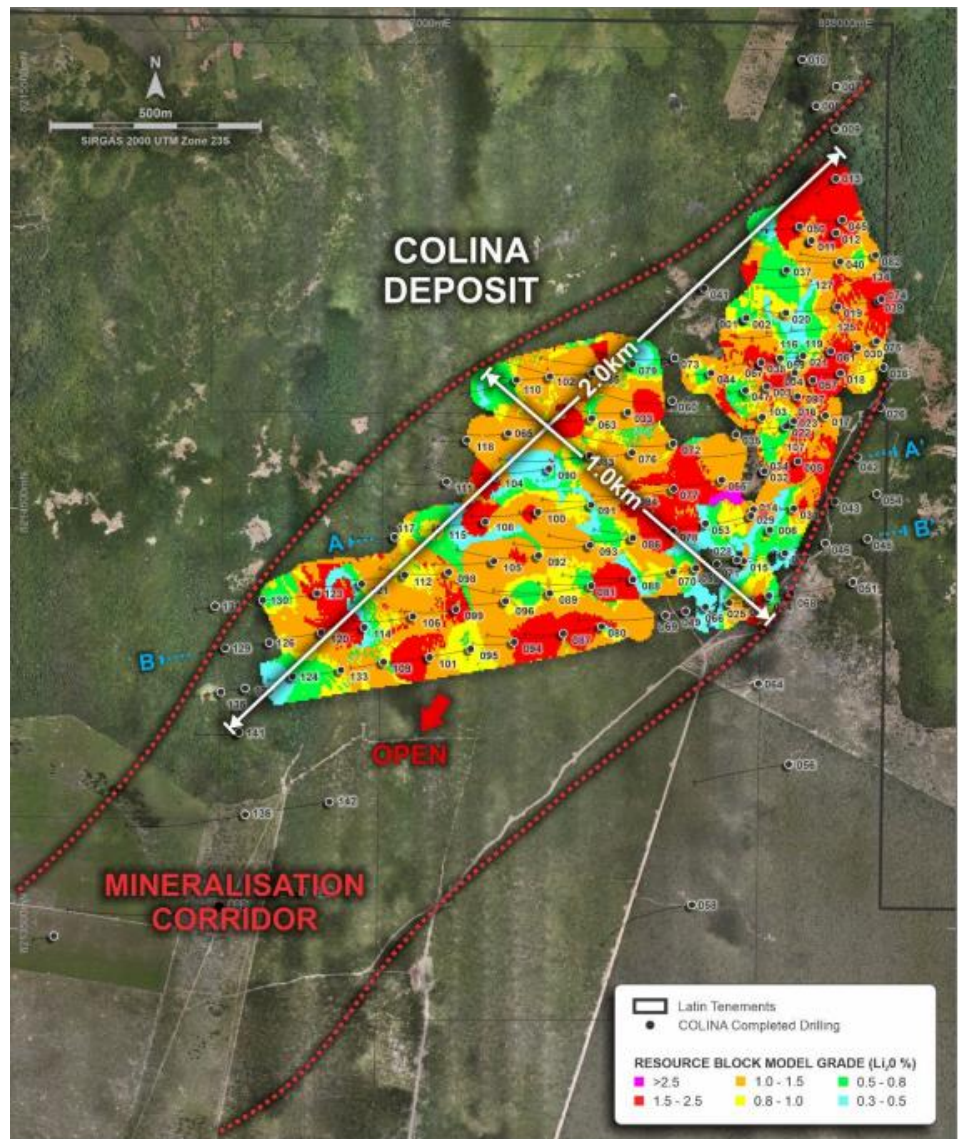
- **~70% of the resource sits in the M&I category.** With 39,033m (135 holes) of drilling completed for the MRE, Latin has managed to strengthen the confidence level in its geological model by increasing M&I resources to ~30.2Mt or ~1.0Mt LCE (+1,545%), compared to the previous estimate. This bodes very well for the upcoming PEA (Q3/23).
 - **Further resource potential to the SW and at depth.** The footprint of the deposit has now been expanded to over 2km in strike and 1km in width (Figure 2), with limits still unknown. Additional geophysical targets have also been identified along the 4km-long prospective Li corridor (Figure 3). Furthermore, the deposit also remains open at depth with assays from the 2023 program returning grades higher than the current resource grade at depth (1.61% Li₂O over 16.0m from 393.6m in SADD055). Drilling will continue with eight rigs (~26,000m) for the remainder of 2023, stepping out from the current deposit in the SW direction, testing at depth as well as new target areas.
 - **Latin may beat Sigma's timeline for development.** Sigma Lithium (TSXV:SGML, BUY, C\$67.75 target, David A. Talbot) put its Grota do Cirilo project (Figure 4, 5) into production within six years of its maiden resource. Sigma's development was impacted by COVID-19 and we could therefore see Salinas move to the production stage earlier. **We also note that the current resource at Salinas is from one deposit only.** Sigma's current ~3.0Mt LCE M&I+I resource is from five deposits, highlighting the sheer size and favourable economics expected from Colina in the upcoming PEA.
 - **Adjusting our model.** Our probability-based valuation for the Colina deposit's middle- and upper-case estimates have increased to 2.2Mt LCE and 3.0Mt LCE, respectively (Figure 6). Given the pace of resource growth since initial drilling began at Salinas in Feb/22 and remaining upside potential, we believe doubling of the current resource base is more than achievable. We have also increased our in-situ EV/t valuation metric to US\$700/t (was US\$600/t) based on where current comps are trading, resulting in an increased target price.
- We maintain our BUY rating but increase our target price (Figure 7) to A\$0.70/sh (was A\$0.30/sh).** We believe continued resource growth as well as the de-risking of the Salinas project through a PEA and additional metallurgical test work should bode well for the share price. **Upcoming catalysts:** 1) Salinas PEA (Q3/23), 2) Salinas met test results (H2/23), 3) Salinas DFS (Q4/24), and 4) Updates from other assets (ongoing).

Figure 1: Jun/23 MRE compared to Nov/22 MRE

Salinas Project		Nov/22					Jun/23					% Change		
Deposit	Classification	Category	Tonnes (Mt)	Li Grade (%)	Li ₂ O (kt)	LCE (kt)	Category	Tonnes (Mt)	Li Grade (%)	Li ₂ O (kt)	LCE (kt)	Tonnes (Mt)	Li Grade (%)	LCE (kt)
Colina	Resources	Measured					Measured	0.43	1.34%	5.8	14.3	NA	NA	NA
		Indicated	2.08	1.21%	25.2	62.2	Indicated	29.74	1.37%	408.1	1,009.3	1330%	13%	1522%
		TOTAL M&I	2.08	1.21%	25.2	62.2	TOTAL M&I	30.17	1.37%	413.9	1,023.6	1350%	13%	1545%
		Inferred	11.17	1.21%	135.2	334.2	Inferred	15.02	1.22%	183.2	453.7	34%	1%	36%
		TOTAL M&I+I	13.25	1.21%	160.3	396.5	TOTAL M&I+I	45.19	1.32%	597.1	1,477.3	241%	9%	273%

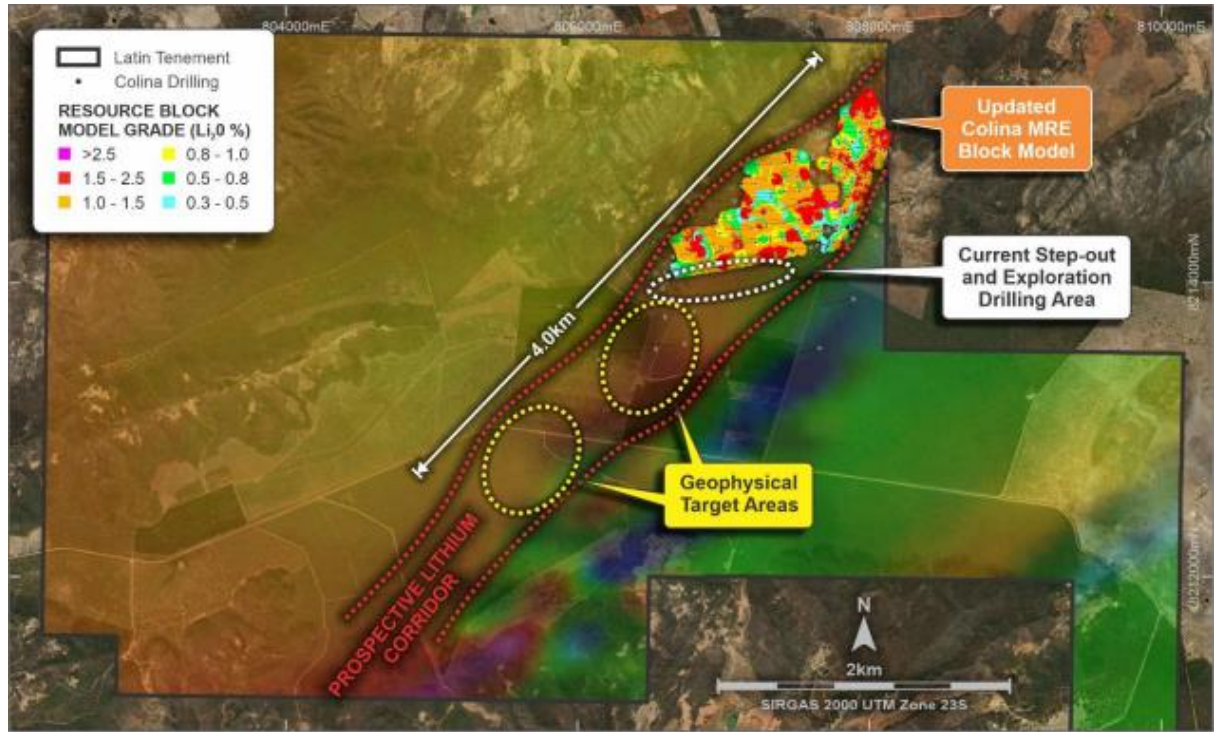
Source: Company Reports

Figure 2: Block model of the Colina deposit



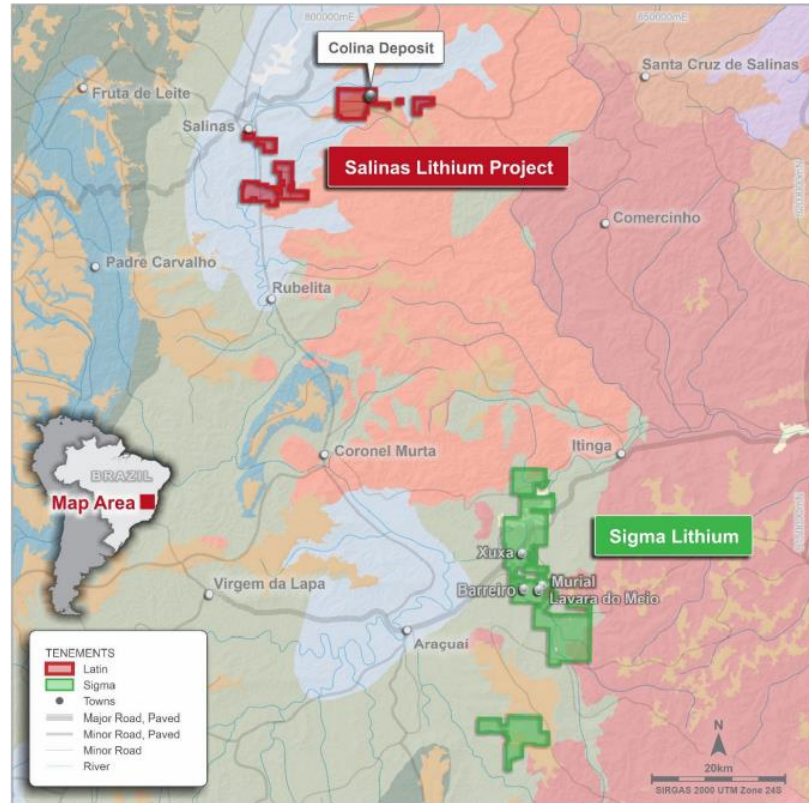
Source: Company Reports

Figure 3: Colina corridor highlighting areas for expansion



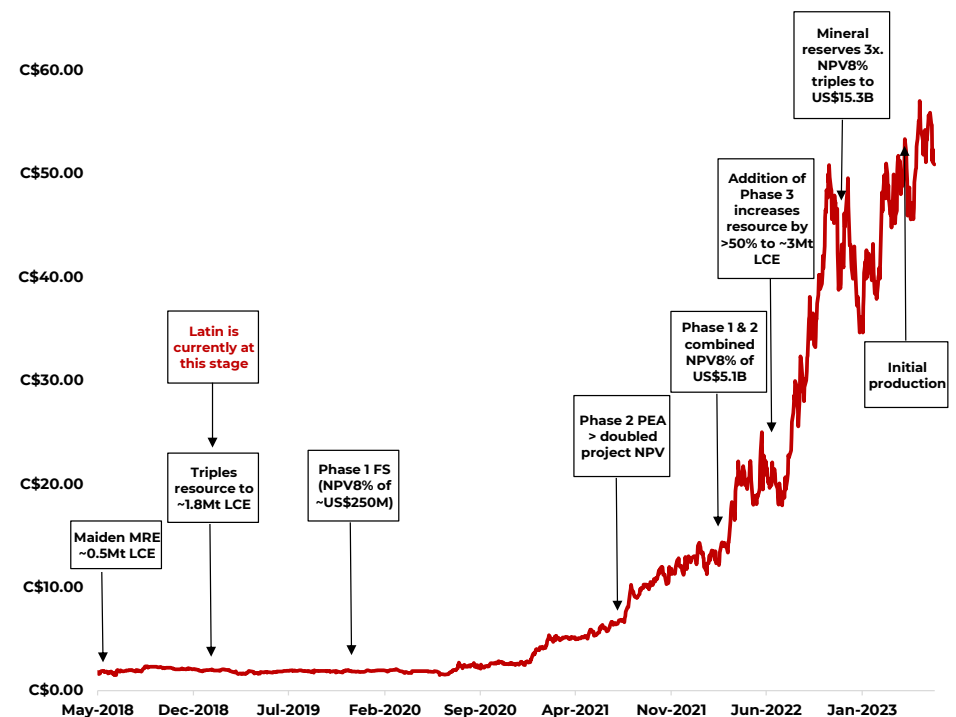
Source: Company Reports

Figure 4: Location of the Salinas and Grota do Cirio Li project in Brazil



Source: Company Reports

Figure 5: Sigma's path to production – share price performance



Source: Company Reports

Figure 6: Probability-based valuation estimate for Colina deposit

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	~1.48 Mt LCE	\$1,436.3	\$0.0	0.0	2528.0	\$0.57	0.0	\$0.57	10%
Middle Case	~2.22 Mt LCE	\$2,158.1	\$5.0	33.3	2561.3	\$0.84	0.5	\$0.81	60%
Upper Case	~3.00 Mt LCE	\$2,921.2	\$9.0	4.7	2566.1	\$1.14	1.0	\$1.05	30%
Probability weighted valuation estimate (A\$/sh)								\$0.86	

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 \$0.84

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: Company Reports, RCS Estimate

Figure 7: NAV summary for Latin Resources

Assets	Valuation Method	Value	
		(A\$M)	(A\$/sh)
Salinas	Probability-weighted	\$2,172.8	\$0.86
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	\$8.5	\$0.00
Total Project NAV		\$2,242.6	\$0.89
Corporate adjustments:			
Cash		\$47.1	\$0.02
Debt		\$0.0	\$0.00
Corporate NAV		\$2,289.7	\$0.91
Multiplier			0.75x
Target			\$0.70

Source: RCS Estimate

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Disclosure Statement

Updated June 20, 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	69%
2022-11-30	NA	NA	BUY (S)	25%
2022-12-09	NA	NA	HOLD	1%
2023-01-25	NA	NA	TENDER	0%
2023-02-17	NA	NA	NA	2%
2023-03-06	NA	NA	UNDER REVIEW	2%
2023-03-20	BUY	0.30		

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

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