LATIN RESOURCES LIMITED

ABN 81 131 405 144

Half Year Report
for the half-year ended
30 June 2014

CONTENTS

DIRECTORY

Directors:

Mr David Vilensky
(Non-executive Chairman)

Mr Christopher Gale
(Managing Director)

Mr Frankie Li
(Non-executive Director)

Mr Zhongsheng Liu
(Non-executive Director)

Mr Mark Rowbottam
(Non-executive Director)

Company secretary:

Mr Anthony Begovich

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Australian Securities Exchange Limited (LRS)

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Subiaco WA 6008

NAB
Central Business Banking Centre
Perth WA 6000

Auditors:

Stantons International
Level 2, 1 Walker Avenue, West Perth WA 6005

The Directors present their report together with the financial statements of the Group consisting of Latin Resources Limited and its subsidiaries (collectively the Group) for the half-year ended 30 June 2014.

Directors

The names of company's directors in office during the half-year and until the date of this report are set out below.

- Mr David Vilensky
- Mr Christopher Gale
- Mr Frankie Li
- Mr Zhongsheng Liu
- Mr Mark Rowbottam

Directors were in office for this entire period unless otherwise stated.

Dividends

No dividends were paid or declared during the half year or in the period to the date of this report.

Principal activities

The Group's principal activities during the course of the half year continued to be the exploration and evaluation of its mining projects in Peru and Brazil.

Operating results

The result for the consolidated entity for the six months ended 30 June 2014 was a loss of $4,571,688 (31 December 2013: loss of $323,356).

The deterioration in the result for the current period reflects decreased Other income of $1.4 million from the sale of the Mariela project which occurred in the prior period, Exploration and evaluation expenditure of $2.9 million written off as a result of adjustments to reflect the renegotiated terms of the agreements associated with the Guadalupito project and increased Other expenses of $0.2 million mainly due to the opening of a new office in Brazil to manage the Borborema project acquired in December 2013.

Review of operations

The Consolidated entity has a portfolio of projects in Peru and Brazil which it is actively progressing via joint venture arrangements and targeted funding. A summary of the highlights for the six months ended 30 June 2014 for the projects is set out below.

Guadalupito iron and mineral sands project - Northern Peru

Guadalupito is Latin's most advanced project and has the potential to become a world class iron and heavy mineral sands project. The project is located in close proximity to high quality infrastructure, being 10 kilometres from Chimbote, home to a major Port and one of the largest steel smelters in Peru, which is owned by the Brazilian Gerdau Group, the largest long steel producer in the Americas.

In total, the Company has an interest in 22,605 hectares of mining concessions at Guadalupito.

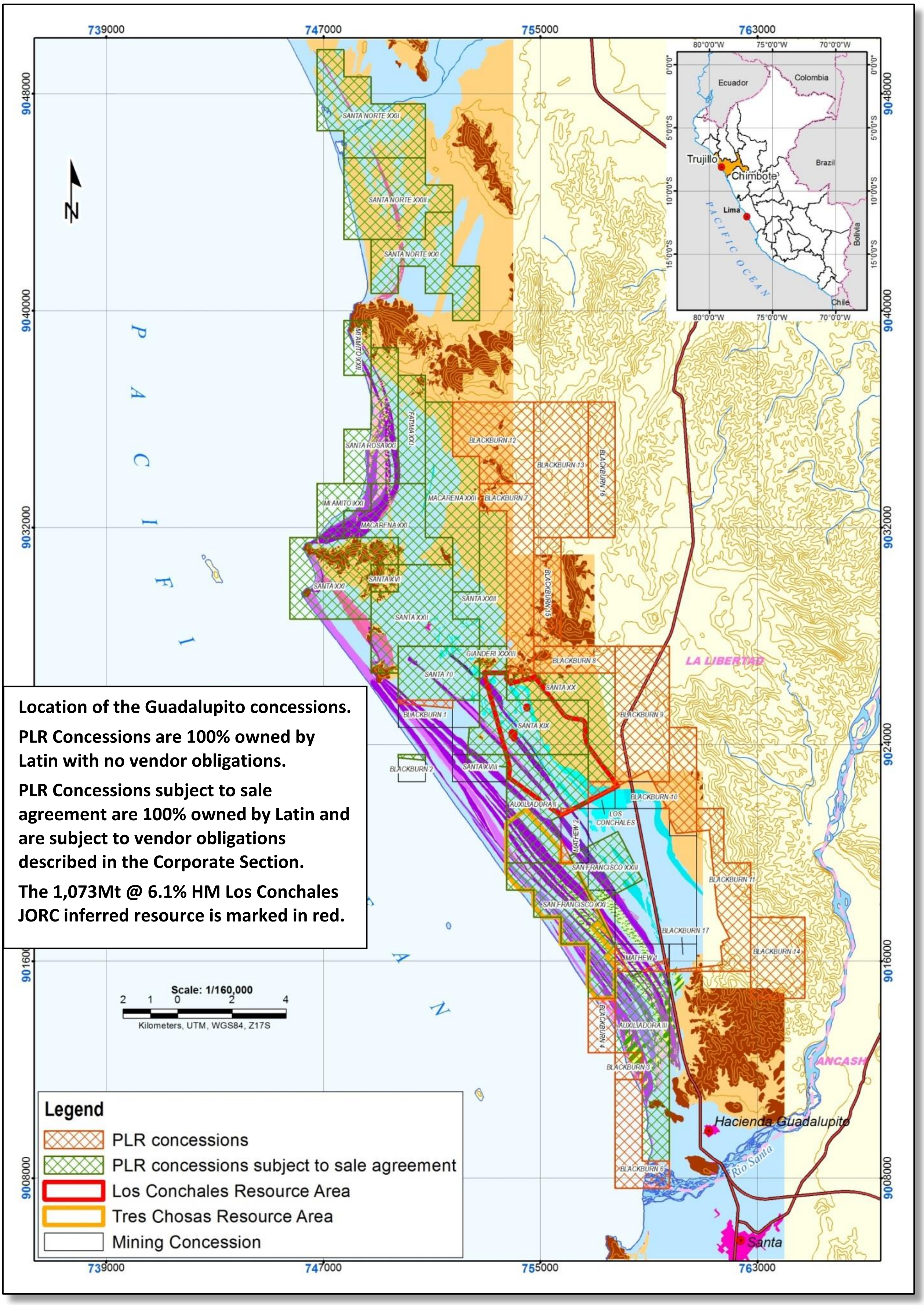
A summary of the highlights achieved at Guadalupito and published in press releases during the half year is set out below.

Positive Results from New Round of Testwork on Los Conchales Composite:

- Magnetite and Andalusite successfully concentrated using gravity techniques indicative of industrial scale processes – Batch Reflux Classifier (BRC) significantly more efficient than wet table (comparative with spirals).
- Heavy Mineral grade of 10.4% of Bulk Composite Sample sand fraction feed with the Heavy Mineral Assemblage containing 24% Magnetite and 23% Andalusite.
- Magnetite successfully recovered from BRC concentrate using low intensity magnetic separation.
- Andalusite was successfully recovered from BRC concentrate using high intensity magnetic separation (non-magnetic fraction).
- 80% of the Andalusite recovered was more than 80% liberated, grading 60% Al_2O_3 and 0.2% Fe_2O_3 which is the target specification for the final high purity Andalusite product in future bulk testing.
- Focus of planned bulk testing will be recovery of high purity Andalusite product as prices and demand continue to increase.
- Scope also exists for recovering other valuable heavy minerals such as Ilmenite, Rutile and Zircon.
- Reflux Classifiers used as industrial scale gravity concentrators promise capital cost savings compared with more traditional spirals due to reduced footprint per feed unit mass and greater concentration efficiency.

1.8 Tonnes of Magnetite Concentrate Sent to Brazilian Owners of Local Steel Foundry:

- 1,880 kg of magnetite concentrate grading 61.4% Fe and 2.2% TiO_2 has been dispatched to the Gerdau Group in Brazil, owner of the Steel Foundry located 25 km south of Los Conchales, for testing.
- The magnetite concentrate was recovered from 27,200 kg of high grade sand (6.9% mass yield) from within the Los Conchales resource area.



Location of the Guadalupito concessions.

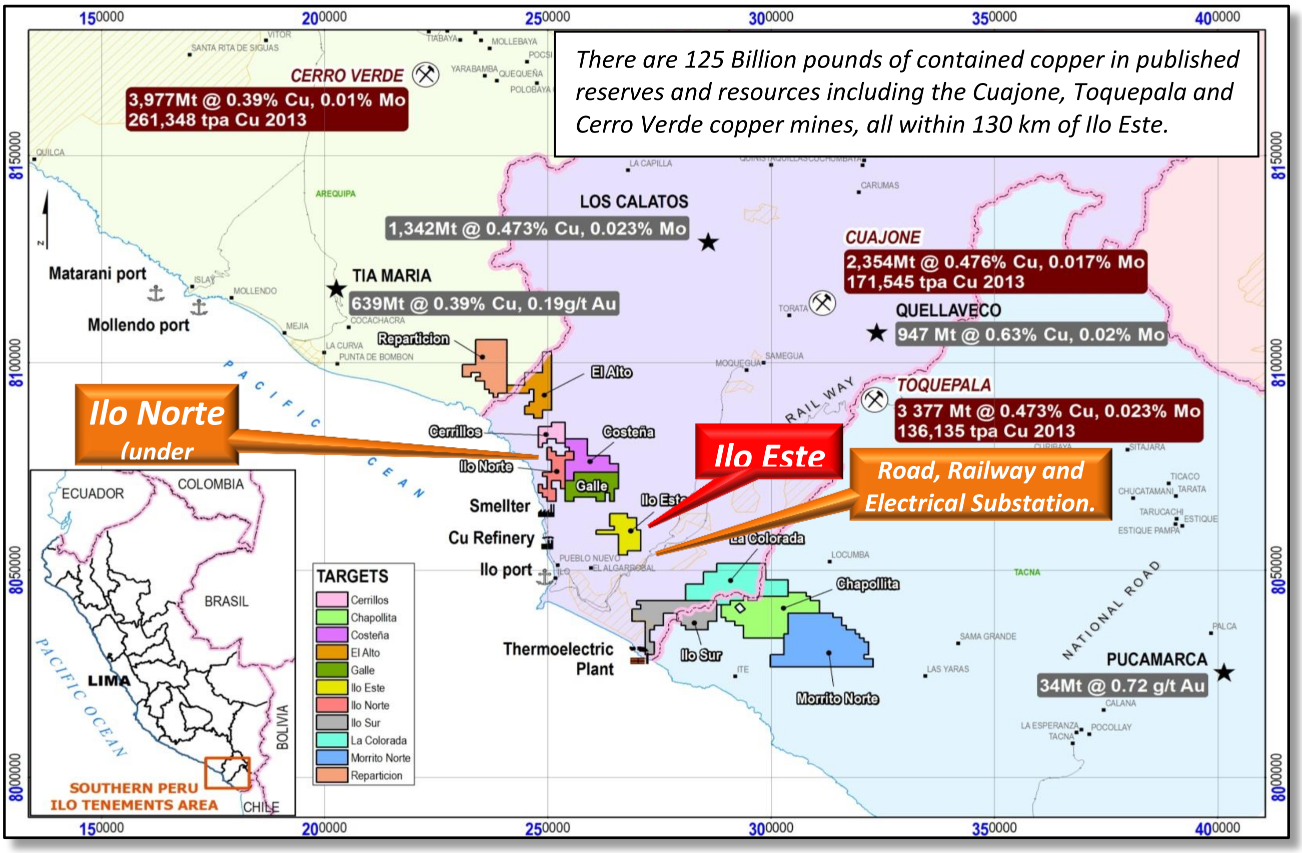
PLR Concessions are 100% owned by Latin with no vendor obligations.

PLR Concessions subject to sale agreement are 100% owned by Latin and are subject to vendor obligations described in the Corporate Section.

The 1,073Mt @ 6.1% HM Los Conchales JORC inferred resource is marked in red.

Ilo IOCG & Porphyry projects – Southern Peru

The Ilo projects comprise of 11 separate exploration targets within more than 100,000 hectares of 100% owned mining concessions in the Southern Coastal IOCG and Porphyry copper belt in Southern Peru.



Ilo Norte IOCG project – Southern Peru

The Ilo Norte Project is defined by 5,300 hectares of mining concessions within Latin's more than 100,000 hectares of 100% owned concessions in the Southern Coastal IOCG belt around Ilo.

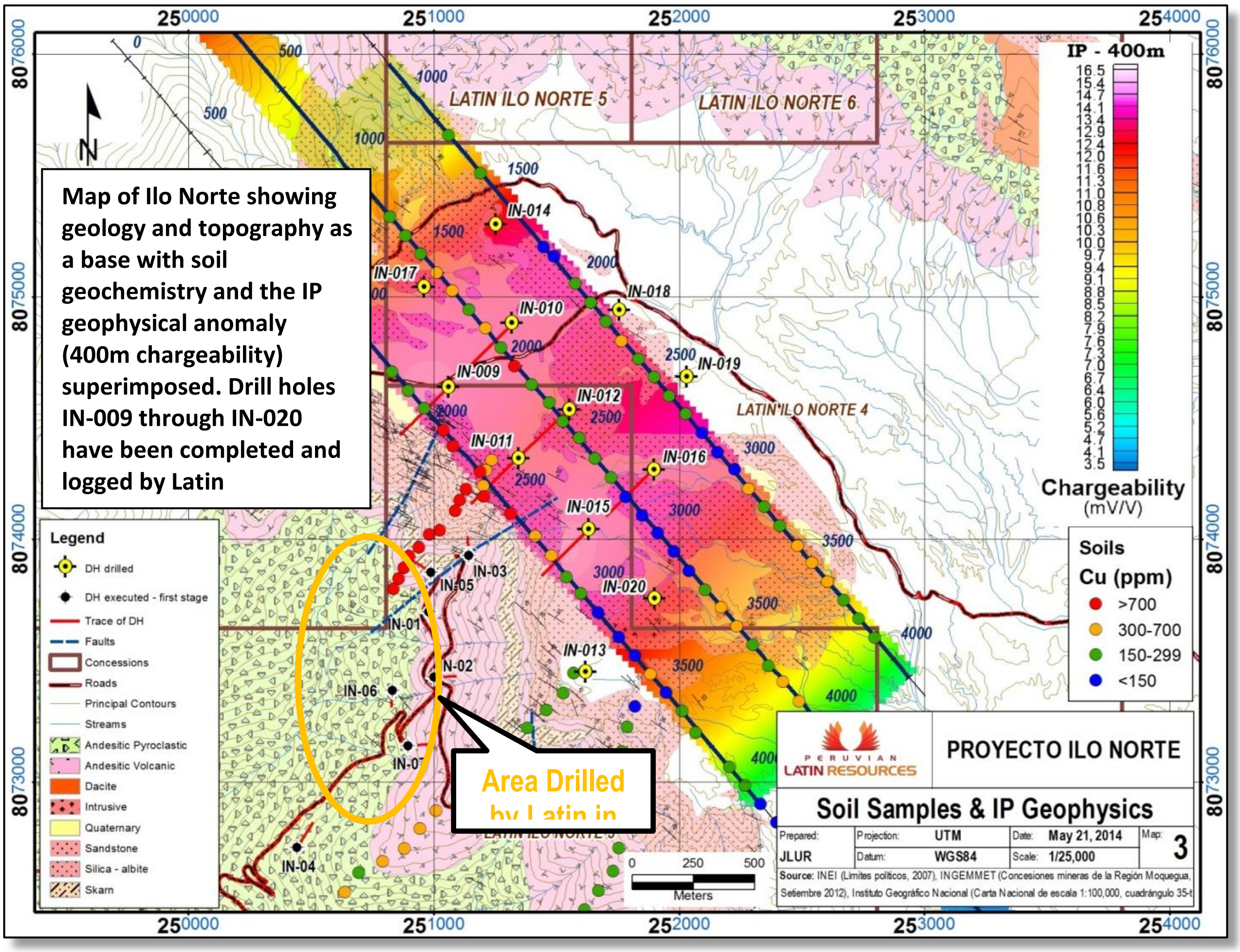
The Ilo Norte Project is under a 70% earn-in option to Compañia Minera Zahena SAC (Zahena) with final definitive agreements announced in January 2014:

- Latin's 100% owned subsidiary Peruvian Latin Resources SAC (PLR) signed definitive contracts under Peruvian law granting an assignment and earn-in option to transfer 70% ownership of its Ilo Norte Project to Zahena for a total consideration of US$3.65 million cash and minimum exploration work commitments totalling US$5.35 million.
- Latin has received $200,000 of the staged payments over 4 years which total US$3.65 million.
- Exploration activities officially commenced on 2 January 2014 and with all permits and authorisations in place, Zahena commenced drilling in February 2014.

A summary of the highlights achieved at Ilo Norte and published in press releases during the half year is set out below.

High Grade Copper Intersected in Drilling by Earn-In Operator, Zahena:

- Best intersection: 30m @ 0.93% copper and 0.12 g/t gold from 282m including 6m @ 3.1% copper and 0.45 g/t gold from 300m in drill hole IN-019 (0.1% Cu cut off).
- High grade copper also intersected in drill holes IN-009, IN-012, and IN 016.
- Twelve holes completed, all to 800m depth.
- Assay results from first ten drill holes (IN 009 through IN-016, IN-018, IN-019) received, with results being evaluated prior to preparation of next phase of permitting for additional drilling.
- Drilling completed 12 months ahead of schedule by Zahena, Ilo Norte project operator.
- Ability to access deeper high-grade orebody underground from steep slope adjacent to mineralised area.
- Ilo Norte benefits from great infrastructure: 5km from sealed highway, 10km from a major copper smelter and 25km from the port city of Ilo.
- Over 560,000 tonnes per annum copper production and 125 billion pounds of copper in published resources and reserves within 100 km of Ilo Norte.



Ilo Este IOCG & Porphyry project – Southern Peru

The Ilo Este Project is located in the central block of Latin's more than 100,000 hectares of 100% owned mining concessions in the Southern Coastal IOCG/Porphyry belt around Ilo.

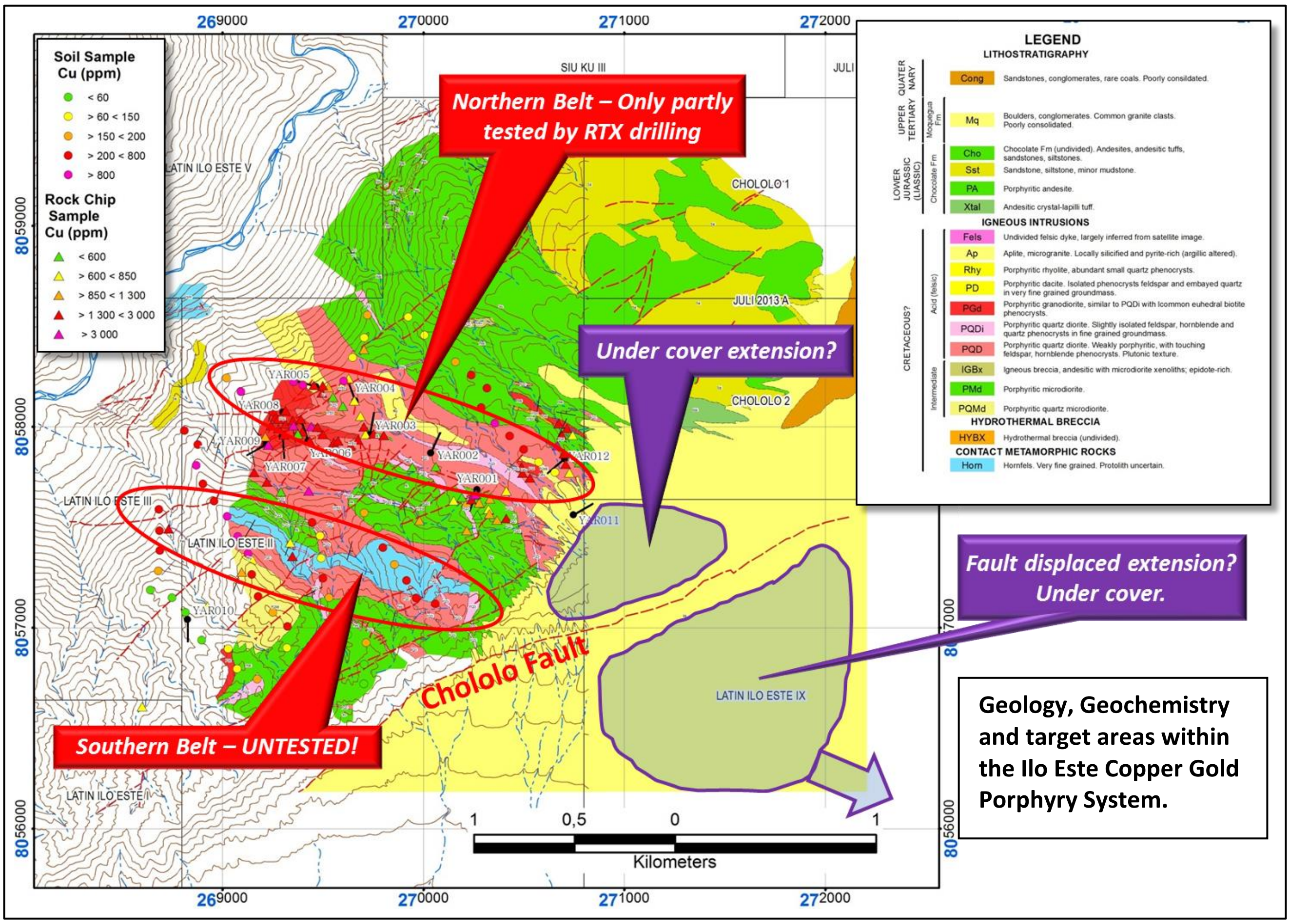
Ilo Este is a Copper-Gold Porphyry system boasting spectacular supporting infrastructure being only 6 km from the Pan-American Highway, a Railway Line and an Electrical Substation, and from there 32 km to the Port of Ilo.

A summary of the highlights achieved at Ilo Este and published in press releases during the half year is set out below.

Significant Copper-Gold porphyry system defined at Ilo Este:

- Highly anomalous copper up to 8.4 % (+Au/Mo) rock chips and soils over at least 3 km^2.
- 81 rock chip samples ranging from 0.002 % to 0.37 % Cu with an average of 0.15 % Cu excluding three high grade results of 0.82 %, 1.1 % and 8.4 % Cu. 67 soil samples ranging from 0.001 % to 0.31 % Cu with an average of 0.039 % Cu.
- Geological and alteration mapping by internationally recognised porphyry geologist, Dr Warren Pratt[1] has defined two roughly parallel, ESE-trending intrusive belts, each over 1 km in length, 0.5 km in width, and both hosting typical Cu-Au porphyry alteration and mineralisation, supported by significant soil and rock chip copper, gold and molybdenum anomalies.
- The Southern of the two belts includes rock types more favourable for hosting higher grade copper mineralisation, representing a significant drill target.
- Ground geophysics (magnetics) has resulted in an 800 m x 200 m magnetic high zone within the Northern intrusive belt, modelled to be around 100 m below surface. It could indicate a magnetite + intense potassic altered intrusive phase with potentially higher grade Cu-Au mineralisation. This zone represents another significant drill target.
- Mapping suggests both intrusive belts continue east under Recent cover, adding a further two drill targets.
- 14 km of access roads from the Pan-American Highway are in good condition and provide access for future drilling with minimal investment.
- The mineralised system is 6 km from the Pan-American Highway, a Railway Line and an Electrical Substation, and from there 32 km to the Port of Ilo.
- Drill permitting is underway with drilling expected to commence in Q3 2014 (Drill Permit Approved 9 July 2014).

[1] *Dr Pratt consults on a worldwide basis and has worked on several major porphyry discoveries in the Americas (Regalito, Chile; El Galeno, Haquira, Rio Blanco, Peru; Taca Taca, Argentina).*

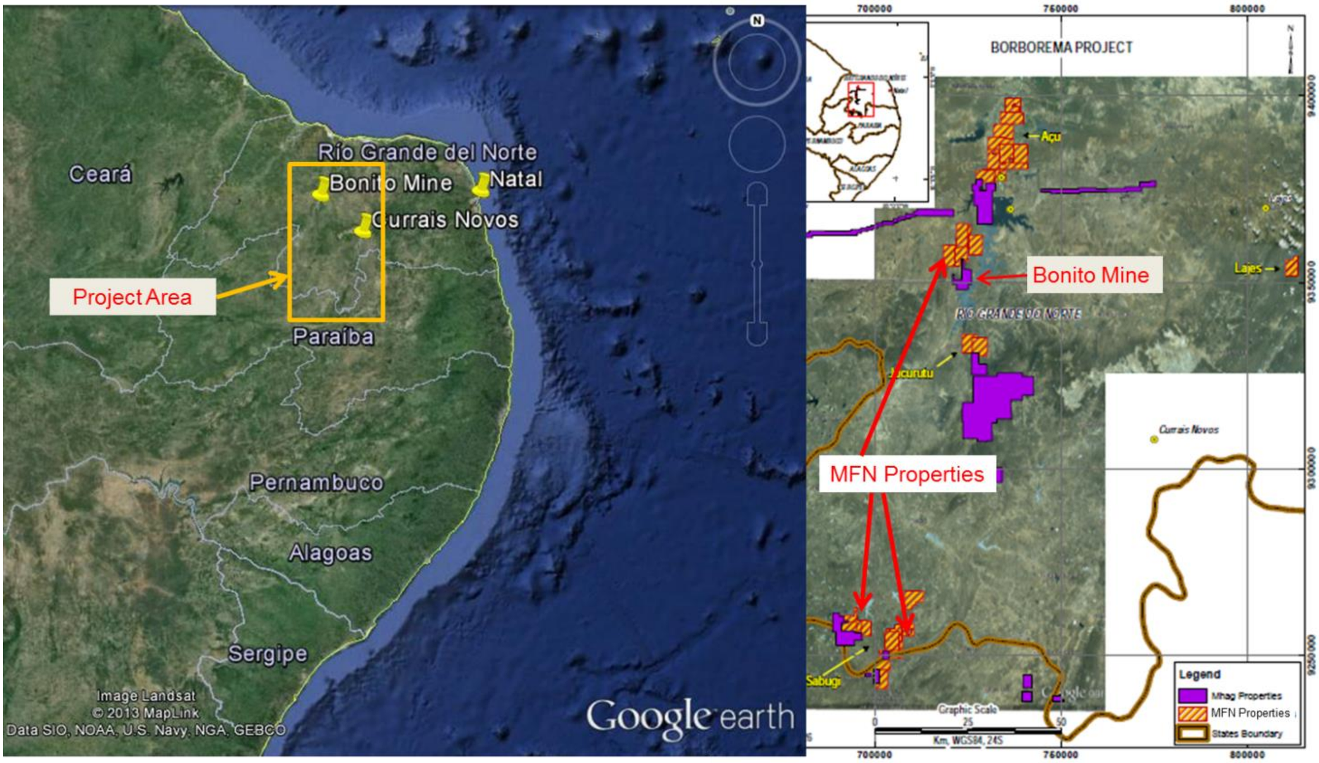


Borborema Iron ore project – North eastern Brazil

The Borborema Project is a greenfield exploration project for iron ore located in Rio Grande do Norte, Brazil, comprising 23 exploration licenses (34,616 hectares).

- This region has little iron ore mining tradition and high potential for medium (50Mt) to large (>500Mt) itabirite deposits and small (<50Mt) DSO deposits.
- The Project area is close to the coast (~ 200 km) and cut by federal and state highways; all paved and in excellent traffic conditions.
- Natal, the capital of the Rio Grande do Norte State, is 150km far from Currais Novos, a town with 60,000 inhabitants and long mining tradition that may be used as a base for the project.
- Field geological reconnaissance work undertaken by Latin along the first semester of 2014 has shown very encouraging results, with iron formations hosted by amphibolites and mafic schists identified in four explorations blocks.
- Ten rock chip samples of iron formation outcrops were collected and returned grades between 28% and 41% Fe (average 36% Fe).
- This kind of iron ore would readily upgrade to a premium pellet feed product with low levels of contaminants. The Rio Grande do Norte State, where Borborema is located, already hosts two Iron Ore mines: the Bonito mine owned by MHAG and the Saquinho Mine operated by Zamin Resources.

- The exploration program for the region is being reviewed on the light of the encouraging results of the field geological reconnaissance work.
- The company is now searching a joint-venture partner for the project.



Corporate

New terms agreed with Guadalupito vendors

On 28 March 2014, Latin announced it had agreed new terms with the vendors of the Guadalupito project.

The new terms allow the Company to either defer or settle, via the issue of 11 million fully paid shares, cash payment obligations due between 2014 and 2017 totalling US$4.9 million (See Table below).

In addition, the vendors have agreed to transfer ownership of two additional concessions (of 500 hectares) adjacent to the 20 concessions subject to the original sale agreement. Latin has also agreed to increase the Royalty payment to the vendors from 1% NSR to 1.5% NSR and also extend the Royalty to cover all Latin owned mining concessions within 5 km of the limits of the concessions covered by the sale agreement and subsequent amendment.

Table : Revised payment schedule under the amended sale agreement.

Date	Cash Payments	Share Based Payments
25 March 2014	US$100,000.00	5 Million Shares
01 May 2014	US$50,000.00	
01 June 2014	US$50,000.00	
01 July 2014	US$50,000.00	
01 August 2014	US$50,000.00	
01 September 2014	US$50,000.00	
01 October 2014	US$50,000.00	
01 January 2015	US$500,000.00	2 Million Shares
01 January 2016	US$600,000.00	2 Million Shares
01 January 2017	US$600,000.00	2 Million Shares
01 January 2018	US$1,339,000.00	
01 January 2019	US$2,000,000.00	
01 January 2020	US$2,000,000.00	
01 January 2021	US$9,940,000.00	
TOTAL	**US$17,379,000.00**	

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Company during the six months ending 30 June 2014 that are disclosed elsewhere in this report, the financial statements or the attached notes.

Significant events after balance date

SPP Shortfall oversubscribed

The Company announced on 16 July 2014 that the Share Purchase Plan Shortfall ('SPP Shortfall') had been oversubscribed with applications amounting to more than $2 million being received by the Company.

R&D tax rebate claim

In July 2014 the Company received R&D tax rebate claims totalling $371,427 (before costs) in relation to 2010 and 2013. This amount was recorded as a receivable as at 30 June 2014 see note 7(a)).

***Shares issued to Guadalupito* vendors**

On 20 August 2014 the Company issued 5.6 million shares at $0.038 per share to the vendors of the Guadalupito project to settle a portion of the cash payment obligations for 2014.

Likely developments and expected results

In 2014 the Company intends to capitalise on the advanced stage of its projects to attract quality Joint Venture partners with favourable terms and conditions to fund major exploration and development expenditure. In accordance with this strategy the Company announced the signing of the Earn in and option agreement for its Ilo Norte project in January 2014 for a total consideration of US$3.65 million cash and minimum exploration work commitments totalling US$5.35 million.

The Company will also continue its cost cutting program to reduce costs and preserve cash and continue to look for other opportunities in South America that will create value for its shareholders.

Competent person's statement

The information in this report that relates to exploration results and geological data obtained in 2014 in Peru is based on information compiled by Mr Andrew Bristow, a Competent Person who is a Member of the Australian Institute of Geoscientists and a full time employee of Latin Resources Limited's Peruvian subsidiary. Mr Bristow has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Bristow consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Some of the information in this report relates to previously released exploration results, geological data and mineral resources in Peru that were prepared and first disclosed under the JORC Code 2004. This has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported, and was based on information compiled by Mr Andrew Bristow, a full time employee of Latin Resources Limited's Peruvian subsidiary. Mr Bristow is a member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralization and the type of deposit under consideration to qualify as a Competent Person as defined in the December 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Bristow consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

The information in this report that relates to exploration results and geological data obtained in 2014 in Brazil is based on information compiled by Dr Carlos Spier, a Competent Person who is a fellow of the Australian Institute of Mining and Metallurgy (AusIMM) and a full time employee of Latin Resources Limited. Dr Spier has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Spier consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Some of the information in this report relates to previously released exploration results geological data in Brazil that were prepared and first disclosed under the JORC Code 2004. This has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported, and was based on information compiled by Dr Carlos Spier, a full time employee of Latin Resources Limited. Dr Spier is a fellow of the Australian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience which is relevant to the style of mineralization and the type of deposit under consideration to qualify as a Competent Person as defined in the December 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Dr Spier consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

Auditor's independence declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 27 and forms part of the Directors' report for the half-year ended 30 June 2014.

This report is signed in accordance with a resolution of the Board of Directors pursuant to Section 306(3) of the Corporations Act 2001.

David Vilensky
Chairman

Dated this, 12th day of September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENHIVE INCOME
For the six months ended 30 June 2014

	Note	6 months to 30 Jun 2014 $	6 months to 31 Dec 2013 $
Revenue	4(a)	4,978	4,429
Other income	4(b)	74,601	1,494,012
Depreciation expense		(18,824)	(19,901)
Employee benefits expense		(865,706)	(933,769)
Finance costs		(261,924)	(386,544)
Exploration and evaluation expenditure	8	(2,879,298)	-
Other expenses	5	(996,942)	(778,971)
Profit/(loss) before income tax		**(4,943,115)**	**(620,744)**
Income tax benefit	7(a)	371,427	297,388
Profit/(loss) after income tax		**(4,571,688)**	**(323,356)**
Profit/(loss) attributable to owners of the Group		**(4,571,688)**	**(323,356)**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		(570,722)	504,105
Items not to be reclassified to profit or loss in subsequent periods:		-	-
Total comprehensive income/(loss) for the period attributable to owners of the Group		**(5,142,410)**	**180,749**
Basic and diluted loss per share (cents)		(1.95)	(0.14)

The above Consolidated Statement of Profit or Loss and Other Comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

	Note	30 Jun 2014	31 Dec 2013
		$	$
Current assets			
Cash and cash equivalents	6	123,998	390,592
Trade and other receivables	7(a)	511,795	2,766,190
Other financial assets		112,750	114,728
Total current assets		**748,543**	**3,271,510**
Non-current assets			
Property, plant & equipment		243,249	283,099
Exploration & evaluation assets	8	23,210,386	25,632,488
Trade and other receivables	7(b)	1,172,952	1,207,639
Total non-current assets		**24,626,587**	**27,123,226**
Total assets		**25,375,130**	**30,394,736**
Current liabilities			
Trade and other payables	9	1,840,754	2,542,485
Interest bearing loans and borrowings	10(a)	350,000	250,000
Deferred consideration	11(a)	579,957	702,425
Provisions		202,839	206,928
Total current liabilities		**2,973,550**	**3,701,838**
Non-current liabilities			
Interest bearing loans and borrowings	10(b)	2,425,811	2,396,299
Deferred consideration	11(b)	8,722,486	9,054,182
Deferred revenue	12	207,006	106,169
Total non-current liabilities		**11,355,303**	**11,556,650**
Total liabilities		**14,328,853**	**15,258,488**
Net assets		**11,046,277**	**15,136,248**
Equity			
Contributed equity	13	29,512,944	28,564,150
Reserves	14	3,517,033	3,984,110
Accumulated losses		(21,983,700)	(17,412,012)
Total equity		**11,046,277**	**15,136,248**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 30 June 2014

	Issued capital	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total
	$	$	$	$	$
Balance at 1 January 2014	**28,564,150**	**1,473,556**	**2,510,554**	**(17,412,012)**	**15,136,248**
Loss for the period	-	-	-	(4,571,688)	(4,571,688)
Other comprehensive loss	-	-	(570,722)	-	(570,722)
Total comprehensive loss for the period	**-**	**-**	(570,722)	(4,571,688)	**(5,142,410)**
Issue of shares	956,794	-	-	-	956,794
Share based payments	-	103,645	-	-	103,645
Cost of equity issues	(8,000)	-	-	-	(8,000)
Balance at 30 June 2014	**29,512,944**	**1,577,201**	**1,939,832**	**(21,983,700)**	**11,046,277**
Balance at 1 July 2013	**27,388,521**	**1,435,156**	**2,006,449**	**(17,088,656)**	**13,741,470**
Loss for the period	-	-	-	**(323,356)**	(323,356)
Other comprehensive loss	-	-	504,105	-	504,105
Total comprehensive income/(loss)	**-**	**-**	**504,105**	**(323,356)**	**180,749**
Issue of shares	1,182,149	-	-	-	1,182,149
Option premium	20,000	-	-	-	20,000
Share based payments	-	38,400	-	-	38,400
Exercise of options	3,703	-	-	-	3,703
Treasury shares issued	65,000	-	-	-	65,000
Cost of equity issues	(95,223)	-	-	-	(95,223)
Balance at 31 December 2013	**28,564,150**	**1,473,556**	**2,510,554**	**(17,412,012)**	**15,136,248**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2014

	Note	6 months to 30 Jun 2014 $	6 months to 31 Dec 2013 $
Cash flows from operating activities			
Receipts from customers		169,921	22,487
Payments to suppliers and employees		(1,752,427)	(1,635,424)
Interest received		4,620	4,429
Interest paid		(203,175)	(271,845)
Taxes (paid)/refunded		318,349	-
Net cash flows from operating activities		**(1,462,712)**	**(1,880,353)**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		2,500	-
Payments for exploration & evaluation assets		(1,470,383)	(1,362,737)
Proceeds from sale of exploration and evaluation assets		2,186,463	644,993
Net cash flows from investing activities		**718,580**	**(717,744)**
Cash flows from financing activities			
Proceeds from the issue of equity		393,600	823,703
Capital raising costs		-	(95,223)
Proceeds from borrowings		350,000	2,750,000
Repayment of borrowings		(250,000)	(550,000)
Net cash flows from financing activities		**493,600**	**2,928,480**
Net (decrease)/increase in cash and cash equivalents		(250,532)	330,383
Cash and cash equivalents at the beginning of the period		390,592	58,476
Effects of movement in foreign exchange		(16,062)	1,733
Cash and cash equivalents at the end of the period	6	**123,998**	**390,592**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. Corporate information

The interim consolidated financial statements of Latin Resources Limited (‘the Company’) and its subsidiaries (collectively, the Group) for the six months ending 30 June 2014 were authorised in accordance with a resolution of the directors on 12 September 2014.

Latin Resources Limited (the Company) is a for profit company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The principal activities of the Group is exploration of mineral resources in Peru and Brazil.

2. Basis of preparation

The interim consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2013.

Adoption of new and revised Standards

The following amendments have been issued by the Australian Accounting Standard Board and are applicable for the current period:

New and Revised Standard	Requirements and impact assessment
AASB 1031 Materiality (December 2013)	Revised AASB 1031 is an interim standard that cross-references to other standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The application of the requirements of the Standard has not had a material effect on the Group's financial information.
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	Amends AASB 124 Related Party Disclosures to remove the individual key management personnel disclosures required by Australian specific paragraphs. The application of the requirements of the amendments has not had a material effect on the Group's financial information for the half year.
AASB 2012-3 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	Addresses inconsistencies in current practice when applying the offsetting criteria in AASB 132 Financial Instruments: Presentation. Clarifies the meaning of 'currently has a legally enforceable right to set-off and 'simultaneous realisation and settlement'. The application of the requirements of the amendments has not had a material effect on the Group's financial information.
AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	Narrow scope amendments to AASB 136 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The application of the requirements of the amendments has not had a material effect on the Group's financial information.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 30 June 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Going concern

The interim consolidated financial statements have been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the six months ended 30 June 2014 the consolidated entity incurred a loss of $4,571,688 (31 December 2013: $323,356), had net cash outflows from operating and investing activities of $744,132 (31 December 2013: $2,598,097) and had a working capital deficiency of $2,225,007 as at 30 June 2014 (31 December 2013: $430,328).

These conditions indicate a material uncertainty that may cast significant doubt about the company and the consolidated entity's ability to continue as a going concern.

In the period subsequent to 30 June 2014, the company has received approximately $2,000,000 from the SPP shortfall and Research and development tax rebates totalling $371,427.

The proceeds from these transactions have been applied to settle interest bearing liabilities as at 30 June 2014 of $350,000 and some creditors.

In addition the Company has also issued 5.6 million fully paid shares in the Company to settle obligations relating to the Guadalupito project of US$200,000.

The ability of the company and the consolidated entity to continue as going concerns are principally dependent upon obtaining new funding of approximately $4 million from an arrangement involving one of its projects, a capital raising or a combination of both.

The company continues to engage in negotiations with a number of interested parties regarding potential project funding through an arrangement or sale. As at the date of this report the negotiations are ongoing.

The directors have prepared a cash flow forecast, which indicates that the company and the consolidated entity will have sufficient cash flows to meet commitments and working capital requirements for the 12 month period from the date of signing this financial report if they are successful in relation to matters referred to above.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the company's history of raising capital to date, the directors are confident of the company's ability to raise additional funds as and when they are required.

Notwithstanding the above, there is a material uncertainty whether the company and the consolidated entity will continue as going concerns and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might be necessary should the company and the consolidated entity not continue as a going concern.

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

3. Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by senior management in assessing performance and in determining the allocation of resources.

The Group's three operating segments are Australia, Peru and Brazil. Discrete financial information regarding these operating segments is reported to senior management on a monthly basis. The accounting policies used by the Group in reporting segments internally are the same as the Group's accounting policies.

The following is an analysis of the Group's revenues, results, assets and liabilities by reportable operating segment for the periods under review.

	Six months to 30 June 2014			
Segment revenues and results	**Australia**	**Peru**	**Brazil**	**Total**
	$	**$**	**$**	**$**
Revenue				
Interest revenue	4,874	-	104	4,978
Other income	-	74,601	-	74,601
Total segment revenue	**4,874**	**74,601**	**104**	**79,579**
Results				
Depreciation expense	(5,380)	(13,444)	-	(18,824)
Share based payments	(176,421)	(37,736)	-	(214,157)
Interest expense	(168,704)	(4,296)	(27)	(173,027)
Net foreign exchange gain/loss	(23,555)	(1,452)	-	(25,007)
Segment profit/(loss)	**(1,156,694)**	**(3,320,808)**	**(94,186)**	**(4,571,688)**

	As at 30 June 2014			
Segment assets and liabilities	**Australia**	**Peru**	**Brazil**	**Total**
	$	**$**	**$**	**$**
Segment assets	**4,387,156**	**20,553,471**	**434,503**	**25,375,130**
Segment liabilities	**(3,471,128)**	**(10,800,892)**	**(56,833)**	**(14,328,853)**
Additions to non-current assets				
Plant & equipment	-	-	-	-
Exploration and evaluation assets	299,586	1,131,080	135,443	1,566,109
Total	**299,586**	**1,131,080**	**135,443**	**1,566,109**

	Six months to 31 December 2013			
Segment revenues and results	**Australia**	**Peru**	**Brazil**	**Total**
	$	**$**	**$**	**$**
Revenue				
Interest revenue	4,429		-	4,429
Other income	(452,645)	1,946,657	-	1,494,012
Total segment revenue	**(448,216)**	**1,946,657**	**-**	**1,498,441**
Results				
Depreciation expense	(6,568)	(13,333)	-	(19,901)
Share based payments	(154,967)	(163,867)	-	(318,834)
Interest expense	(118,186)	(8,706)	-	(126,892)
Net foreign exchange gain/loss	(8,433)	1,769	-	(6,664)
Segment profit/(loss)	**(1,680,191)**	**1,368,186**	**(11,351)**	**(323,356)**

	As at 31 December 2013			
Segment assets and liabilities	**Australia**	**Peru**	**Brazil**	**Total**
	$	**$**	**$**	**$**
Segment assets	**4,136,461**	**25,714,291**	**543,984**	**30,394,736**
Segment liabilities	**(3,385,245)**	**(11,563,882)**	**(309,360)**	**(15,258,488)**
Additions to non-current assets				
Plant & equipment	**-**	2,211	-	2,211
Exploration and evaluation assets	547,126	1,329,436	317,379	2,193,941
Total	**547,126**	**1,331,647**	**317,379**	**2,196,152**

	6 months to 30 Jun 2014	**6 months to 31 Dec 2013**
	$	**$**
4. Revenues		
(a) Finance revenue		
Interest revenue	**4,978**	**4,429**
(b) Other revenue		
Sundry income	74,601	30,888
Gain on sale of exploration and evaluation assets	-	1,463,124
	74,601	**1,494,012**

	6 months to 30 Jun 2014	6 months to 31 Dec 2013
	$	$
5. Other expenses		
Administration costs	311,196	160,675
Corporate costs	512,108	474,312
Net foreign exchange gain/(loss)	25,007	6,664
Occupancy costs	148,631	137,320
	996,942	**778,971**

	30 Jun 2014	31 Dec 2013
	$	$
6. Cash and cash equivalents		
Cash in hand	2,098	999
Cash at bank	121,900	389,593
	123,998	**390,592**
7. Trade and other receivables		
(a) Current		
Trade receivables [1]	10,736	2,244,588
Other receivables[2]	390,217	460,554
Good and services tax	63,869	44,885
Prepayments	46,973	16,163
	511,795	**2,766,190**
(b) Non Current		
Good and services tax[3]	**1,172,952**	**1,207,639**

1 Trade receivables as at 31 December 2013 includes the remaining balance from the sale of the Mariela project.

2 Other receivables include $371,427 relating to R&D tax rebate claims for 2010 and 2013.

3 Non current Goods and services tax ('GST') refers to amounts receivable by the Company's subsidiary in Peru which can only be offset against GST attributable to future sales.

	30 Jun 2014	31 Dec 2013
	$	$
8. Exploration and evaluation assets		
Opening balance	25,632,488	26,179,232
Additions	1,566,109	2,193,942
Disposals	-	(1,246,931)
Decrease in deferred consideration costs	-	(2,262,173)
Amounts expensed	(2,879,298)	-
Foreign currency translation movement	(1,108,913)	768,418
	23,210,386	**25,632,488**

9. Payables

Accounts payable	1,501,491	2,082,605
Other payables	46,574	204,587
Accruals	292,689	255,293
	1,840,754	**2,542,485**

10. Interest bearing loans and borrowings

(a) Current		
Secured loan[1]	**350,000**	**250,000**
(b) Non-current		
Convertible Note[2]	**2,425,811**	**2,396,299**

[1] The $350,000 short term loan is from a third party at an interest rate of 15% per annum and is secured against the Company's 2013 research and development rebate. The loan was repaid upon receipt of the rebate in March 2014.

[2] The Convertible note with Junefield High Value Metals Investments Limited has a face value of $2.5 million, a coupon rate of 12%, a conversion price of $0.07 per share and a maturity date of 31 July 2015.

It is the intention of both parties for the principal to be repaid in full and the Company has the right, at its election, to redeem the principal at any time.

The balance as at 30 June 2014 is based on the fair value of the convertible note based on a discounted cash flow method using a discount rate that reflects the issuers effective borrowing rate.

	30 Jun 2014	31 Dec 2013
	$	$

11. Deferred consideration

	30 Jun 2014 $	31 Dec 2013 $
(a) Current	579,957	702,425
(b) Non-current	8,722,486	9,054,182
	9,302,443	**9,756,607**

The deferred consideration balances reflect the current and non-current portions of the present value of US$17.539 million (31 December 2013: US$18 million) being the remaining amount the Group is required to pay in cash and shares for the acquisition of the concessions relating to the Guadalupito project.

12. Deferred revenue

	30 Jun 2014 $	31 Dec 2013 $
Deferred revenue	**207,006**	**106,169**

Deferred revenue represents the fair value of the non-refundable payments received in accordance with the Agreement with Compañia Minera Zahena SAC that allows it to acquire a 70% interest in the Ilo Norte Project by paying US$3.65 million cash via a number of instalments over 4 years and minimum exploration work commitments totalling US$5.35 million.

13. Contributed equity

(a) Issued capital

	30 Jun 2014 $	31 Dec 2013 $
Issued shares	27,849,850	26,901,056
Option premium	1,733,977	1,733,977
Treasury shares	(70,883)	(70,883)
	29,512,944	**28,564,150**

(b) Movements in issued capital

	Number	$
Issued shares		
Balance at 1 July 2013	**213,597,125**	**25,810,427**
Shares issued	16,052,213	1,182,149
Exercise of options	18,514	3,703
Transaction costs	-	(95,223)
Balance at 31 December 2013	**229,667,852**	**26,901,056**
Shares issued	20,212,807	956,794
Transaction costs	-	(8,000)
Balance at 30 June 2014	**249,880,659**	**27,849,850**

	Number	$
(b) Movements in issued capital (continued)		
Option premium		
Balance at 1 July 2013	**42,561,294**	**1,713,977**
Options exercised	(18,514)	-
Options issued	15,428,574	20,000
Balance at 31 December 2013 and 30 June 2014	**57,971,354**	**1,733,977**
Treasury shares		
Balance at 1 July 2013	**881,116**	**(135,883)**
Shares issued	(500,000)	65,000
Balance at 31 December 2013 and 30 June 2014	**381,116**	**(70,883)**

14. Reserves

	30 Jun 2014 $	31 Dec 2013 $
Foreign currency translation reserve		
Balance at beginning of period	2,510,554	2,006,449
Foreign currency translations	(570,722)	504,105
	1,939,832	2,510,554
Share based payments reserve		
Balance at beginning of period	1,473,556	1,435,156
Share based payments	103,645	38,400
	1,577,201	1,473,556
Total reserves	**3,517,033**	**3,984,110**

15. Commitments and contingencies

Commitments		
Operating lease commitments:		
Not later than one year	283,727	313,847
Later than one year but not later than five years	235,418	370,678
Later than five years	-	-
	519,145	684,525

16. Contingent liabilities

There are no changes to the contingent liabilities disclosed in the most recent annual financial report.

17. Events occurring after balance date

SPP Shortfall oversubscribed

The Company announced on 16 July 2014 that the Share Purchase Plan Shortfall ('SPP Shortfall') had been oversubscribed with applications amounting to more than $2 million being received by the Company.

R&D tax rebate claim

In July 2014 the Company received R&D tax rebate claims totalling $371,427 (before costs) in relation to the 2010 and 2013. This amount was recorded as a receivable as at 30 June 2014 see note 7(a)).

***Shares issued to Guadalupito* vendors**

On 20 August 2014 the Company issued 5.6 million shares at $0.038 per share to the vendors of the Guadalupito project to settle a portion of the cash payment obligations for 2014.

18. Comparatives

In 2013 the Company changed its year end from June to December. The comparative figures for Statement of profit or loss and other comprehensive income , the Statement of changes in equity and the Statement of cash flows is for the six months ended 31 December 2013.

DIRECTORS DECLARATION

In accordance with a resolution of the directors of Latin Resources Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of Latin Resources Limited for the half-year ended 30 June 2014 are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and

  (ii) complying with Accounting Standard AASB 134: *Interim financial reporting and the Corporations Regulations 2001*

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

David Vilensky
Chairman

Dated this, the 12th day of September 2014

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12 September 2014

Board of Directors
Latin Resources Limited
Suite 2, Level 1
254 Rokeby Road
Subiaco, WA 6008

Dear Sirs

RE: LATIN RESOURCE LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Latin Resource Limited.

As Audit Director for the review of the financial statements of Latin Resource Limited for the period ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)

Samir R. Tirodkar
Director

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LATIN RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Latin Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Latin Resources Limited (the consolidated entity). The consolidated entity comprises both Latin Resources Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Latin Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Latin Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Latin Resources Limited on 12 September 2014.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Latin Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Without qualification to the conclusion expressed above, attention is drawn to the following matters:

As referred to in Note 2 to the financial statements, the financial statements have been prepared on the going concern basis. As at 30 June 2014, the entity had working capital deficiency of $2,225,007 and had incurred a loss for the six months of $4,571,688. The ability of the Company and consolidated entity to continue as a going concern is subject to the successful recapitalisation of the Company and consolidated entity. In the event that the Board is not successful in recapitalising the Company and consolidated entity and in raising further funds, the Company and consolidated entity may not be able to pay its debts as and when they become due and may be required to realise its assets and discharge its liabilities other than in the normal course of business, and at amounts different to those stated in the financial report.

The recoverability of the consolidated entity's carrying value of exploration and evaluation assets of $23,210,386 is dependent on the successful commercial exploitation of the assets and/or sale of the assets to generate income at least equal to the current book values. In the event that the consolidated entity is not successful in commercial exploitation and/or sale of the assets, the realisable value of the consolidated entity's assets may be significantly less than their current carrying values.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International

Samir R. Tirodkar
Director

West Perth, Western Australia
12 September 2014