

13 November 2014

FUNDING AGREEMENT

Latin Resources Limited (**ASX:LRS**) ("**Latin or the Company**") advises that it has entered into a funding agreement of up to \$3.125 million ("**Funding Agreement**") with the Australian Special Opportunity Fund, LP, an institutional investor managed by New York based The Lind Partners Australia LLC (together, "**Lind Partners**").

The Funding Agreement comprises of two Unsecured Convertible Notes ("**Convertible Note**") for a maximum term of 36 months that will be available in 2 tranches.

The first tranche (Tranche 1) totalling \$1.125 million ("**Tranche 1 Funded Amount**") will be available within ten (10) days of the execution of the Agreement. The second tranche (Tranche 2) totalling up to \$2 million ("**Tranche 2 Funded Amount**") will be available, if certain conditions are met, after 80% of the face value of Tranche 1 has been repaid either by cash or shares.

The proceeds will primarily be used to fund Latin's strategy of developing its Ilo Copper projects and the Guadalupito Andalusite project.

Each note is repayable by equal monthly payments over an 18-month period from date of drawdown. Each monthly repayment can be made, at Latin's option, either through cash or shares ("**Repayment Shares**") or a combination of both.

If the Company elects to repay in cash, the repayment amount will carry a premium of 2.5% of that monthly repayment amount. If the Company elects to repay via shares the Repayment shares will be priced at 92.5% of the average of five daily volume weighted average prices (VWAP), to be chosen by Lind Partners, during the 20 trading days prior to each issuance of shares.

Latin can repay the outstanding face value of the Convertible Note based on a 2.5% premium and Lind Partners would have the right upon such repayment to convert an amount equal to 25% of the outstanding face value of the Convertible Note at that time into equity at the premium conversion price which is equal to 130% of the Average of the VWAP during the 20 trading days prior to the Funding Agreement being signed ("**Premium Conversion Price**").

The funding arrangement allows Latin to continue to develop its projects by providing capital through a highly flexible convertible instrument over a staged period. The structure also allows the company as its election to issue shares or cash to repay the loan to Lind Partners on a monthly basis. If the repayment is paid by shares the price will be linked to current prices of the share price at the time of issuance therefore minimising dilution for existing shareholders.

The face value of Tranche 1 and Tranche 2 is a 12% per annum premium of the Tranche 1 and Tranche 2 Funded Amounts respectively.

In addition, after a period of 60 days from the initial drawdown, Lind Partners has the option to convert any amounts outstanding under the Funding Agreement into ordinary shares at the Premium Conversion Price ("Conversion Shares").

As part of the Funding Agreement, Lind Partners will also be granted options linked to the two funding tranches. Tranche 1 options will comprise 10.6875 million options with an exercise price equal to the Premium Conversion Price and exercisable over 36 months from the date of issue. The number of Tranche 2 options will be based on 33% of the face value of Tranche 2 divided by the 20 day VWAP prior to the drawdown of Tranche 2 if Latin elects to drawdown Tranche 2.

The Company will also issue 7.5 million collateral /security shares to Lind Partners which will be credited or returned to the Company when the face value of the Convertible Note has been repaid via cash or shares or a combination of both.

The Funding Agreement also contains other standard conditions and events of default for a Convertible Note of this nature.

While the shareholder approval is not required for the initial funding to proceed, the Agreement contains provisions requiring approval of shareholders if required under Listing Rule 7.1.

Project Status

Ilo Este Copper Project

The recent assay results of the first two holes at Ilo Este project have proven positive with copper grades showing improvement as drilling continues.

In addition to the copper mineralisation encountered to date, there are a number of significant considerations with respect to these results and the location of the project that improve potential for a significant economic mineral deposit based on the oxide mineralisation alone.

Considering the numerous characteristics of Ilo Este that offer a potentially very low cost operation, after only two holes (with continuous oxide mineralisation from surface), there still remains much potential for defining higher grade zones in the Northern Intrusive Belt which can only increase potential economic viability.

This is precisely the aim of the third drill hole, IE-JDD-003, now underway, which is testing an area of higher grade surface mineralisation identified from surface soil and rock chip sampling located towards the eastern end of the Northern Intrusive Belt some 1.1 km along strike from IE-JDD-002.

For further details refer to ASX announcement "Improved Copper Mineralisation at Ilo Este Copper Porphyry" dated 11 November 2014.

Ilo Norte – Zahena – Joint Venture

Zahena have commenced a further phase of drilling at Ilo Norte following the approval of the drill permit modification during October which allows for 14 holes to be drilled off existing platforms for a total of 7600m.

The first hole is being drilled from the same platform as IN-019 at 65 degrees dip towards 60 degrees North (approx. ENE) to a depth of 1000m, in an effort to intersect a significant NW trending structure to the NE of the area already drilled.

As part of PLR's constant effort to provide further drill targets a surface sampling program has been executed and pH and Electrical Conductivity measurements taken of all samples. In addition a structural interpretation of imagery has been advanced by Latin over the main project area and is being extended to cover the Galle and Costeño targets to the east of Ilo Norte.

For further details refer to ASX announcement "Drilling to continue at Ilo Norte" dated 23 October 2014.

Guadalupito Andalusite Project

The ongoing search for a Joint Venture / Funding partner is continuing with good interest from a number of parties.

Bulk composite sampling and testwork is well advanced with Nagrom (Metallurgical lab) with a testwork report and an Andalusite pre concentrate expected to be available in the first week of December.

About Latin Resources

Latin Resources Limited is a mineral exploration company focused on creating shareholder wealth through the identification and definition of mineral resources in Latin America, with a specific focus on Peru. The company has a portfolio of projects in Peru and is actively progressing its two main project areas: Guadalupito (Iron and Heavy Mineral Sands) and Ilo (Iron Oxide-Copper-Gold and Copper Porphyry). Latin has also recently acquired the mineral rights covering a total of 40,483 hectares in the new Iron Ore district of Rio Grande do Norte State, Brazil.

About The Lind Partners

The Lind Partners is a New York-based asset management firm which manages the Australian Special Opportunity Fund, LP and the Canadian Special Opportunity Fund, LP (together "Lind"). Lind funds focus on small- and mid-cap publicly traded companies with an emphasis on Australia, the United Kingdom and Canada, mainly in biotech, mining, oil & gas, technology and clean-tech. Since 2009, the Lind team has completed more than 50 direct investments for more than \$500 million of transaction value as well as participating in numerous brokered placements, and has earned a reputation as a creative, flexible and supportive capital partner to investee companies.

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