



**LATIN RESOURCES**  
LIMITED

*ABN 81 131 405 144*

**2018**

**ANNUAL REPORT**



## CONTENTS

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(Non-executive Chairman)

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## CHAIRMAN'S REVIEW

### *Dear Shareholders*

The past 12 months have been extremely busy and active for the Company.

If one has regard to the review of the operations of the Company contained in this Annual Report, the obvious conclusion is that the level of activity and efforts made to advance the prospects of the Company are not reflected in the share price. There is a marked disparity between these two indicators.

If I could put a finger on any particular issue that has slowed the Company's progress and reduced its market capitalisation it undoubtedly has been the ongoing delays in obtaining drilling permits for our highly prospective hard rock lithium projects in the San Luis province in Argentina. Less than a year ago the Company was in advanced negotiations with a significant joint venture partner in relation to our San Luis projects. Like most joint venture agreements, they are dependent upon the issue of drill permits so that exploration can commence. Based on positive feedback at that time from all relevant stakeholders including the San Luis government, all parties were firmly of the view that the issue of the drill permits was weeks away.

It is not in dispute that had drill permits been issued to the Company at that time as expected, the Company would have been in a vastly different position to what it is today. More to the point, the proposed joint venture would have been well on foot to the point where the anticipated JORC resource would already have been obtained.

A confluence of factors beyond the control of the Company has continued to delay and frustrate the Board. The disappointment which our loyal shareholders have had to endure has been felt by the Board. Shareholders can be assured that no stone has been left unturned or will be left unturned in our endeavours to obtain the drill permits. While our patience is being tested to the limit, our resilience and determination to obtain the drill permits and reignite our lithium prospects in San Luis remain intact.

I myself travelled to Argentina in February this year to investigate firsthand the situation on the ground in Argentina, in particular the province of San Luis. During this trip I met many people, including politicians and Ambassadors, all of whom are focused on assisting the Company in removing the obstacles that have to date held up the issue of permits for our lithium pegmatite projects in San Luis which has been a big focus of the Company.

The Company has not however been one eyed in its outlook and is close to securing lithium projects in Minas Gerais, Brazil which offers the company significant upside in one of the world's largest mining districts.

Our separate collaborative exploration agreement with First Quantum on our Ilo Sur copper properties in southern Peru is as strong as ever while we negotiate what will hopefully be the final stages of an agreement with the Peruvian authorities on this exciting project. First Quantum have expended significant time and resources to date into an extensive assessment of the PTM03 property which has resulted in a target area recommended for follow up. Exciting drilling targets have already been identified by First Quantum justifying the earn-in agreement with First Quantum in what is hoped will be a significant new copper project. While this has also been a frustrating experience, once the red tape has been resolved, which we expect will be in the very near future the Company is hopeful that this joint venture will deliver the upside it has the potential to do and we look forward to the continuation of our relationship with First Quantum going forward.

Importantly, First Quantum have remained steadfast throughout this process and are as enthusiastic as ever to get onto the property in southern Peru to commence the exploration program.

## **CHAIRMAN'S REVIEW**

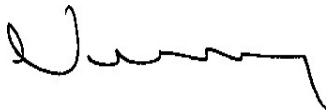
While the current share price and market capitalisation of the Company is disappointing, it does not reflect the value the Company or the work and progress that has been made during the past twelve months.

The Board remains confident that positive news flow in the near future in relation to its various activities will change its fortunes relatively quickly and bring some joy to our loyal and patient shareholders.

Our management, staff and consultants in Australia, Argentina and Peru continue to work diligently often in challenging circumstances and I thank them for their ongoing contributions. I would like to thank our Managing Director Mr Chris Gale for his tireless efforts in the pursuit in the strategy and vision of the Company as well as his promotional and capital raising activities. This has including spending long periods of time in South America in his efforts to deliver a return to the shareholders of the Company.

I also thank our loyal and valued shareholders, including our new shareholders, for your ongoing support of the Company over the past twelve months. While it has been a bumpy ride I assure shareholders that the 'can do' spirit of the Company is alive and well and all options are being considered at all times to reward shareholders and enhance shareholder value.

I again ask our shareholders to remain patient so that the considerable progress we have made over the past twelve months can be converted into real success which will inevitably result in an improved share price and market capitalisation.



**DAVID VILENSKY**

***Chairman***

## REVIEW OF OPERATIONS

### *Company overview - 2018*

During the year the company continued to grow its portfolio of Argentinian tenure which included the acquisition of the Las Cuevas pegmatite and the advancement of its concessions in Catamarca.

At the date of this report the company has access to approximately 173,000 hectares of exploration concessions in the lithium pegmatite districts of Catamarca and San Luis, Argentina.

Concessions in the Salta Province and La Rioja provinces were relinquished as the Company concentrated efforts on the Catamarca concessions and slowly progressed drilling approvals in the San Luis concessions, principally the Geminis mine.

The company has continued to progress its relationship with the provincial government of San Luis advancing it towards the goal of approved drilling permits for its projects. On the 27<sup>th</sup> December 2018, a social and environmental agreement was signed with the communities of San Francisco and Rio Gomez in the province of San Luis which marked a major milestone for the company and the mineral exploration industry within San Luis. While not yet receiving the desired drilling approvals, progress is being made with the provincial government of San Luis and Mines Department.

While the company experienced delays in San Luis it identified opportunities in Catamarca which remains a significant work area for the company, advancing its understanding of the geology of the region, and included the discovery of two major pegmatite swarms in the NW Alto and North Ancasti areas.

The Company continues to progress the Joint Venture with First Quantum Minerals in the Pachamanca concessions in Peru. During the year First Quantum gained access approvals and executed field work and geophysical assessment of the area in preparation of completing initial drill plans on the area. Discussion continues with the Defence Department (as owner/holder of the Pachamanca area) in progressing a land lease agreement and clearing the way for drilling approvals.

The Company also successfully concluded the sale of the Ilo Copper Project with Toronto listed Westminster Resources Ltd (WMR). On settlement the Company became a 41% shareholder of WMR. Subsequent to the transfer WMR negotiated and entered into a Farm-In Agreement with AusQuest Limited covering 5 of the Ilo copper licences.

Due to the delays in gaining drilling approvals in the San Luis province, discussions with a number of potentially suitable JV partners were placed on hold. Interest in progressing a JV arrangement remains with the JV partners and will be recommenced as approvals are granted. This continues the Company's long-term strategy of identifying and developing projects in joint venture or under offtake arrangements in respect of its lithium assets in Argentina.

## REVIEW OF OPERATIONS

### *Highlights for the year ended 31 December 2018*

#### **CATAMARCA – (ARGENTINA)**

- *Continued mapping and geochemical sampling in the NW Alto have enabled definition of high priority drill targets.*
- *Encouraging Fluorite prospects discovered on existing LRS concessions. Geochemical sampling reveals high grade Fluorite.*
- *Identification of prospective pegmatites within the under-explored North Ancasti pegmatite swarm.*

#### **SAN LUIS – (ARGENTINA)**

- *The company signs landmark social and environmental agreement with the communities of San Francisco and Rio Gomez clearing the way for discussions with the San Luis government to advance to final stages.*
- *Technical understanding of the Geminis and Don Gregorio concessions improved through several additional trips to the mine and its surrounding pegmatites.*
- *Logistical evaluation of the Geminis mine prior to drilling now complete.*
- *Local contractors and exploration drilling companies on standby awaiting permits.*
- *Maria del Huerto drilling designed and ready to target three sheeted spodumene pegmatites.*

#### **ILO COPPER PROJECTS – (PERU)**

- *Settled the sale of the Ilo Copper Project to Westminster Resources Limited (TSXV – WMR) and received 19,000,000 ordinary shares representing a 41.02% ownership interest in WMR. The shares*
- *Westminster enters into a Farm-In Agreement with AusQuest Limited covering 5 Peruvian copper licences expanding their dominant tenement position at the Ilo copper project.*
- *AusQuest now positioned to execute on its drilling commitments at the project advancing it through to pre-feasibility.*

#### **PACHAMANCA / MT-03 – (PERU)**

- *IP survey identifies several high priority drill targets at the project.*
- *Exploration permits submitted to government authorities and are awaiting approval.*

#### **TECHNOLOGY**

- *The National University of Cuyo (UnCuyo) progresses through its second round of test work producing encouraging results from the Company's funded pilot plant contributions.*
- *The team at UnCuyo is now progressing through the next stage involving determining the best way to extract lithium carbonate from the spodumene concentrate produced in the pilot plant.*

#### **CORPORATE**

- *The Company completed a Convertible Security Funding Agreement to provide a convertible funding facility up to limit of \$6 million. The Company has drawn a total of \$2.6 million under the facility. Repayments commenced in October 2018.*

## REVIEW OF OPERATIONS

### CATAMARCA – (ARGENTINA)

#### *NW Alto – Vilisman Project Area*

Exploration in Catamarca through the reporting period, particularly towards the end of the year focused primarily on the rock chipping and soil sampling programs in the NW Alto.

On the 5<sup>th</sup> June 2018 the company had its 14 MDA applications granted. The MD's were granted after certain works has been completed including bulk sampling and proving the presence of mineralisation. The areas converted cover existing mining areas and future zones which will be the focus of exploration in the near future.

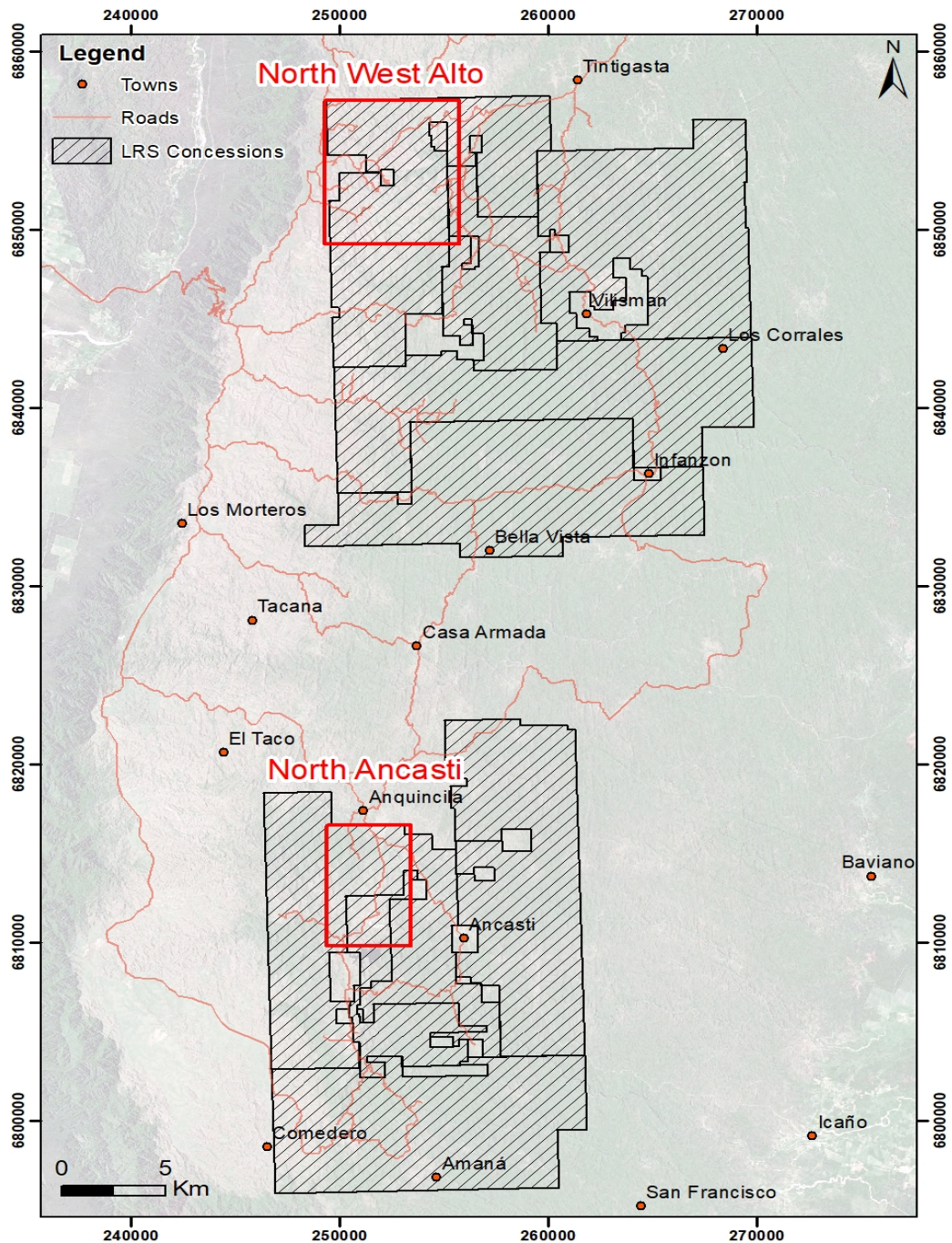


Figure 1 - Latin Resources Catamarca Concessions showing the two major work areas



## REVIEW OF OPERATIONS

In mid-May 2018, the LRS geological team began the systematic mapping of the NW Alto concessions. These concessions had not been previously covered as part of the work undertaken in evaluating the identified historical lithium mines in the district. The area to be mapped is greater than 90% of the total concession area and is highly prospective for lithium bearing pegmatites of considerable size.

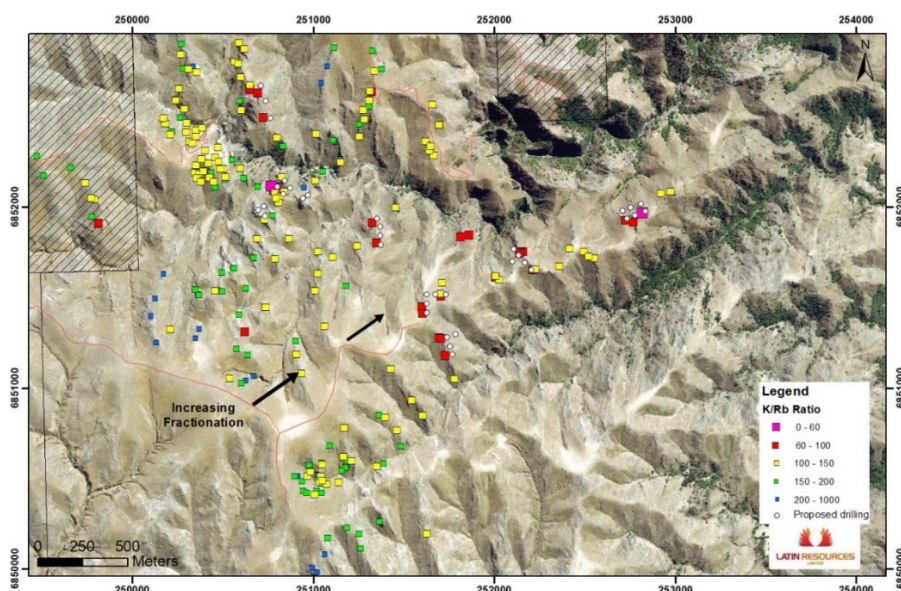
The company has examined high resolution satellite imagery and identified large pegmatites or swarms of pegmatite bodies within the NW Alto. These swarms have become the focus areas for the company in Catamarca for targeted mapping and rock-chipping programs.

Except where there has been previous mining, it is only the external zones of the potentially lithium bearing pegmatites that are exposed to geologists for mapping. As these outer/external zones do not contain lithium bearing minerals, it is necessary to use methods other than simply analysing the lithium content of the pegmatites to identify if it has the potential to bear lithium. The main way of achieving this is to estimate the fractionation levels of the pegmatites.

A total of 101 rock chip samples and 131 soil samples were taken on and around mapped pegmatites in the target area. Analysis was completed by ALS, initially in Mendoza for preparation with final analysis completed in Vancouver. Samples underwent Multi-Element Analysis by Sodium Peroxide Fusion.

A rock chip sample returning 1.219% Li<sub>2</sub>O was identified from within one of the small mines in the region, "Buena Estrella", previously exploited for Beryl. The sample was not of any traditional lithium ore mineral however the exploration team is encouraged by the presence of lithium in the NW Alto and will continue to progress its understanding here.

Results from the completed sampling work confirmed a clear fractionation trend amongst the pegmatites, see **Figure 2**. The exploration team continued work to the NE of the swarm towards the improving fractionation results produced encouraging and expected results. A direct result from this work has enabled the company to identify seven high priority drill targets in the region.



*Figure 2 - All rock-chip locations within the NW Alto showing fractionation ratio results.*

In addition to investigating the lithium mineralisation in the NW Alto, the company is exploring the presence of Fluorine rich veins in an extensive zone of brecciation. The historical fluorite mines of San Isidro and Elena exist within the LRS Catamarca concessions. The collection and analysis of 5 rock chip samples over a large purplish outcrop (Figure 3) confirmed the fluorite mineralisation. The Fluorite appears to occur in discrete bands traceable over 100's of metres.

## REVIEW OF OPERATIONS



Figure 3 - Fluorite Veins present in the NW Alto, Catamarca

The company's results from this Fluorite sampling were:

Table 1 - Fluorine Rock Chips NW Alto Project

Sample ID	Easting	Northing	Elevation	F %	CaF <sub>2</sub> %
TA000402	251830	6852432	1767	38.8	79.7
TA000403	251846	6852440	1757	20.7	42.5
TA000404	251833	6852462	1758	25.9	53.2
TA000405	251831	6852420	1770	22.2	45.6
CA003	251723	6853675	1863	6.08	12.5

Projection WGS84 Zone 20 S

Fluorite (CaF<sub>2</sub>), is essentially the only fluorine mineral of commercial significance. When mined it is marketed as fluorspar. The major use for fluorite is as high-grade material, known as acid-grade fluorspar or acidspar. This is used as feedstock in the production of hydrofluoric acid, which is a starting point for numerous fluorine-based chemicals.

The company will continue to evaluate all opportunities within its exploration licences.

### ***N Ancasti – Ancasti Project Area***

In late 2018, aerial evaluation of Catamarca identified the potential of the North Ancasti project. An extensive review of recently acquired literature highlighted the existence of Beryl / Lithium pegmatites which have received very little modern exploration attention.

## REVIEW OF OPERATIONS

The company intends to complete thorough rock chipping and mapping over the region in the first quarter of 2019 with the intention of delineating suitable drilling targets as has been achieved in the NW Alto.

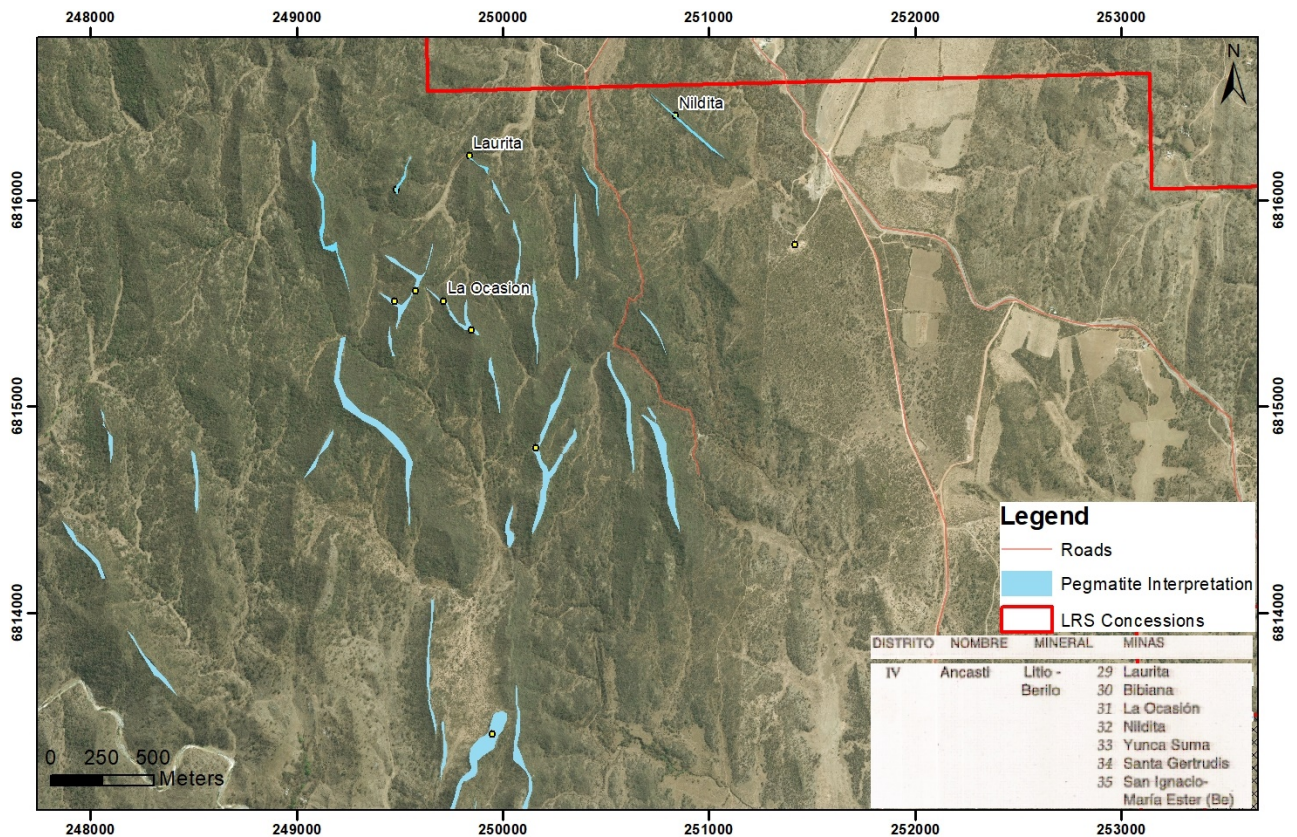


Figure 4 – Pegmatites in the unexplored N Ancasti

### **Loma Pelada**

Loma Pelada is a prospect area that is located approximately 3km to the west of Villisman village in the El Alto area. Geological mapping in late 2017 identified several pegmatites with a strike length of over 700m and thicknesses up to 7m containing widespread spodumene mineralisation. There is the possibility that this project contains multiple sheeted pegmatites in close proximity. Drill testing will confirm or dispel this theory.

Exploration of Loma Pelada was put on hold in August 2018 following a strategic evaluation of the Catamarca projects.

### **Ipizca 1**

Ipizca 1 is a prospect area that is located approximately 5km to the north of Ancasti village in the Ancasti group of Catamarca concessions. An historical report (Balmaceda & Kaniefsky 1982, Caracterizacion de IPIZCA I) notes the main pegmatite to be over 700m in length and vary from 2 – 7m in thickness. LRS geologists have mapped this prospect ensuring optimal drill hole locations were designed. The team has encountered several adits containing a high percentage of pink spodumene in their walls which is very encouraging. They have also mapped out many additional previously unknown pegmatites in the area. Further work at Ipizca 1 was put on hold following a project evaluation completed in August 2018.

## REVIEW OF OPERATIONS

### SAN LUIS – (ARGENTINA)

#### *Permitting and Social*

The Company has continued to progress the granting of exploration permits in San Luis throughout the reporting year. The matter has resulted in delays to the company's major objective, discovery of a world-class lithium resource at the flagship Geminis project in the San Luis Province of Argentina.

As announced on the 27<sup>th</sup> December 2018, a social and environmental agreement was signed with the communities of San Francisco and Rio Gomez in the province of San Luis. This agreement declared and confirmed the local community's interest in actively participating in and supporting the development of a sustainable local mining industry based around known lithium deposits in the locality of the projects of Latin Resources, principally the Geminis, Don Gregorio, Maria Del Huerto and other mining concessions in the San Luis province.

The agreement incorporates the following commitments and obligations on the part of the Company for the benefit of the local communities:

- Conduct educational and technical talks to the local communities on specific areas of mining and the environment in relation to the projects which Latin Resource owns or controls.
- Provide the mining IP and expertise in the development of hard rock lithium pegmatites.
- Provide free public courses in selected educational centres presented by expert mining professionals.
- Provide training and support to the community to generate jobs and services in the area.
- Promote and sponsor the participation of the community in social, sporting, recreational activities as a means to educate the communities with technical knowledge regarding the development of a lithium industry in San Luis province;

With this important social and environmental agreement now signed, the authorised representative of Latin Resources will now enter discussions with the San Luis government with the intention of signing a Memorandum of Understanding (MOU) on behalf of the Company, setting out the criteria to develop a lithium industry in the San Luis province. The MOU will include the issue of exploration and drill permits and the granting of certain concessions to Latin Resources.

#### *The Geminis Mine and Don Gregorio Exploration Concession*

The company has continued technical evaluation of its Geminis Mine and Don Gregorio concession throughout the reporting period. However, permitting delays have hindered more advanced exploration.

The Geminis mine has been historically linked to lithium mining in San Luis and contains known high-grade lithium bearing pegmatites. It was recognized by geologists from the National Development Bank whose work has been reflected in unpublished reports as one of the main lithium deposits in the province of San Luis with lithium ore produced during the period 1935 - 1980.

Mining at Geminis began in the 1930's and continued until 1959. Since then sporadic mining has taken place, with no recent activity. Apart from a small quarry to the south all mining operations were by underground methods. The underground workings observed consist of three adits which access a series of tunnels varying in size and length. The most northerly adit, Pozon Blanco is quite small and collapsed. The central adit, Cantera Grande is 6m long, 2.8m wide and 2.5m high. The main adit further to the south, Poniente Labors contains approximately 70m of tunnels with an entrance chamber measuring 5m x 7.6m. Mining activity was small scale and carried out in campaigns. It is thought that on average the mine

## REVIEW OF OPERATIONS

produced approximately 5-10 tonnes of spodumene per month (Barrio, Raul E. and Echeveste, Horacio J.). The mine workings are spread over a strike distance of approximately 150m.

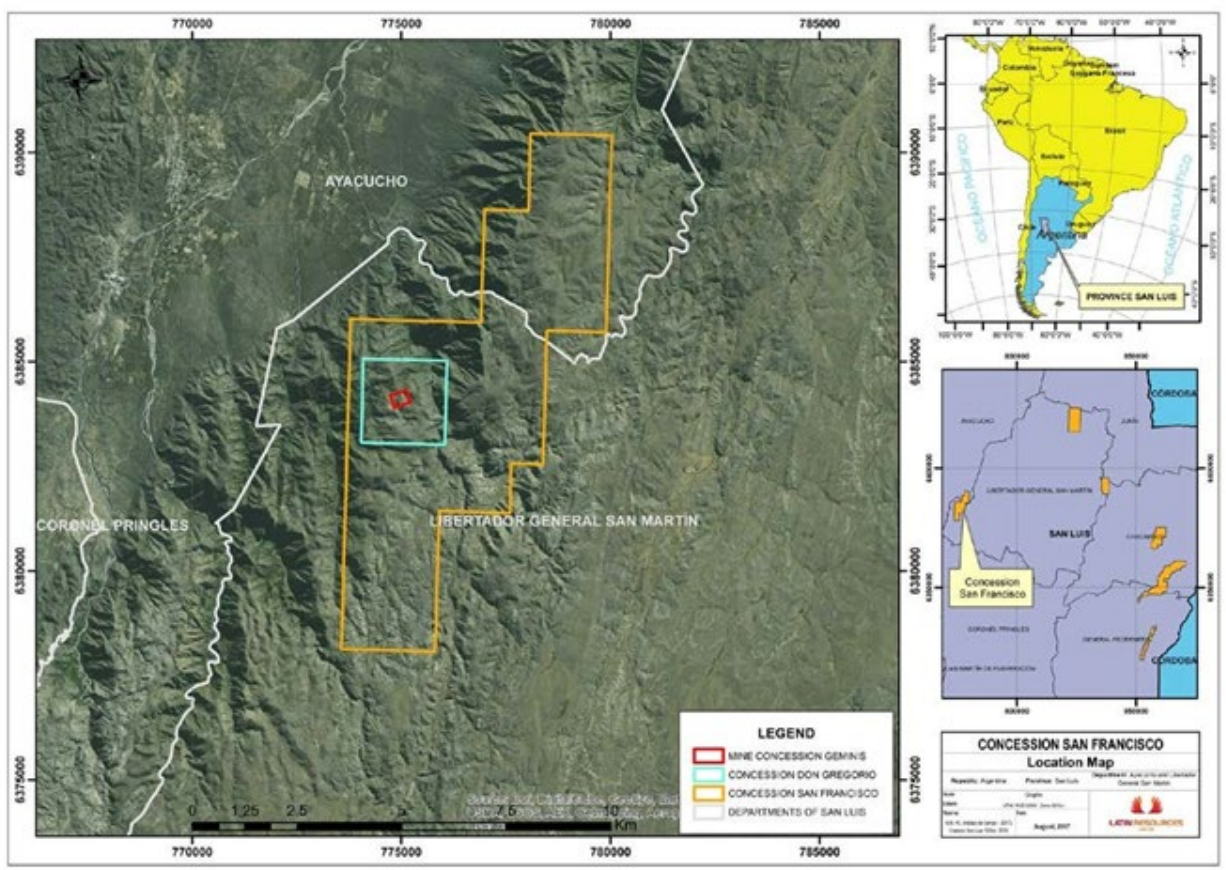


Figure 5 - Location of Geminis, Don Gregorio and San Francisco concessions



Figure 6 - LRS Geologists at the Geminis Mine entrance

## REVIEW OF OPERATIONS

The Don Gregorio and Geminis Mine concessions are located within the Totoral Pegmatite Field (TPF) which is the southernmost pegmatite field of the Pampean Pegmatite Province. Pegmatites are intruded into Pringles Metamorphic Complex (PMC) host rocks which comprise mostly fine grade gneisses and schists of Ordovician age (456 – 488 million years).

The TPF comprises a 17 km long swarm of rare-element pegmatites of the LCT (Li-CS-Ta) family that trends NNE – SSW that was intruded into the PMC between 465 and 317 million years ago (Galliski, M.A. and Cerny, P., 2006).

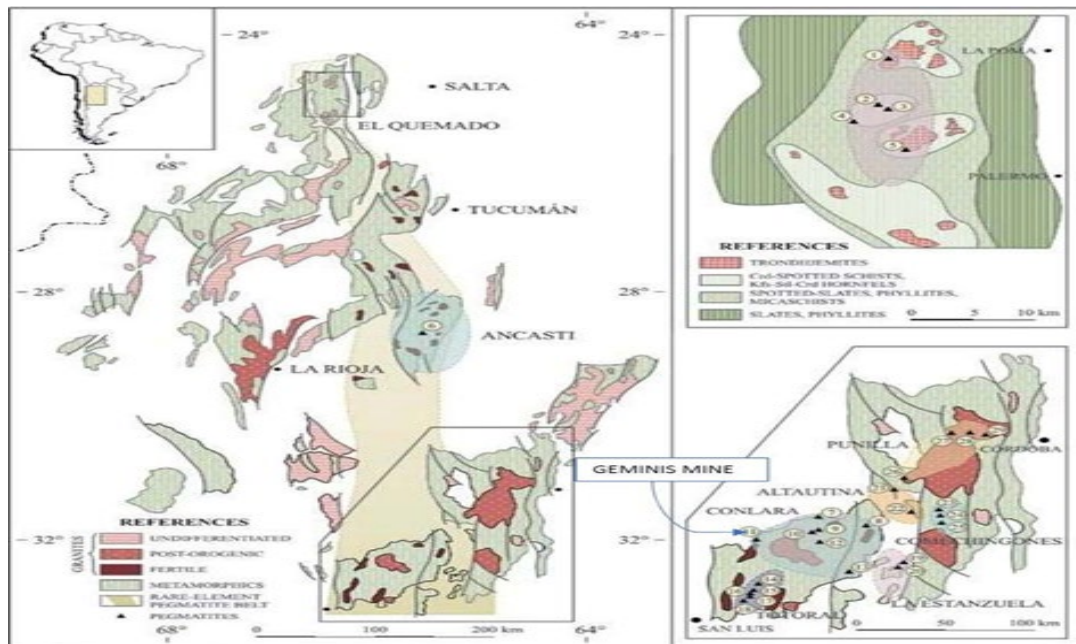


Figure 7 - Regional geology map of the Totoral Pegmatite Field within the Pampean Pegmatite Province

The pegmatites located at the Geminis mine are of the complex spodumene type which host a broad range of economic minerals. Most significantly there is intense spodumene mineralisation within parts of the mine comprising up to 80% of the material. During mining individual spodumene crystals have been measured to have a length of up to 4m. Other minerals which are significant and may contribute to the overall value are the lithium minerals amblygonite and lithiophilite which are found within the pegmatites non-nucleus zones as are other minerals tantalite, columbite and beryl. The non-lithium minerals present are significant as they may contribute as credits with any future concentrate production.

Non-invasive geological mapping and sampling was carried out at the Geminis Mine after the binding letter of intent was signed on the 1st August 2017. The initial work concentrated efforts in and around the Geminis Mine workings and then expanded out into the Don Gregorio exploration concession. Work continued through 2018 to evaluate the potential of the region.

In the mine area, six pegmatite bodies have been mapped sometimes as discreet structures over a strike length of 1.6km following the significant trend of the orebody exploited through historical mining. The individual pegmatites vary from 4m up to 20m in thickness and dip relatively gently to the south-east at between 15 to 30 degrees which is an ideal orientation for any future possible open pit mining. The overall zone has a thickness of 400m.

Approximately 800m to the north west of the main mine pegmatite group is another packet of eight sheeted pegmatites with a similar orientation to the mining group and thicknesses of between 4m to 25m. Both zones together cover an area of 2.1km by 1.7km.

## REVIEW OF OPERATIONS

The company has completed all logistical due diligence required to execute its exploration plans. Necessary contractors remain on standby awaiting the company's instructions.

The Latin Resources geological team has designed preliminary drilling programs to be completed as soon as the required permits are in place.

### ***Maria del Huerto***

The Maria del Huerto project consists of three sheeted pegmatites. Pegmatites one and two occur as outcrop and subcrop and have not been mined to any great extent. Only the external and marginal zones of the pegmatites are exposed, and they are heavily weathered. Pegmatite three has previously been mined to a depth of approximately ten meters and is exposed for approximately 110m within the mine workings. Here the spodumene-bearing intermediate zone and nucleus is well exposed. It has also undergone only limited weathering.

No further geochemical samples were taken from Maria del Huerto in the reporting period. Previous work has confirmed the pegmatites to be prospective.

The 2017 detailed mapping and sampling program allowed the design of targets/drill collar locations for the initial exploration and resource development drilling. Approximately 1,200m of diamond drilling and 3,000m of reverse circulation drilling has been planned to target the sheeted pegmatite mineralisation.

The company is awaiting drilling permits in San Luis prior to executing its exploration programs.

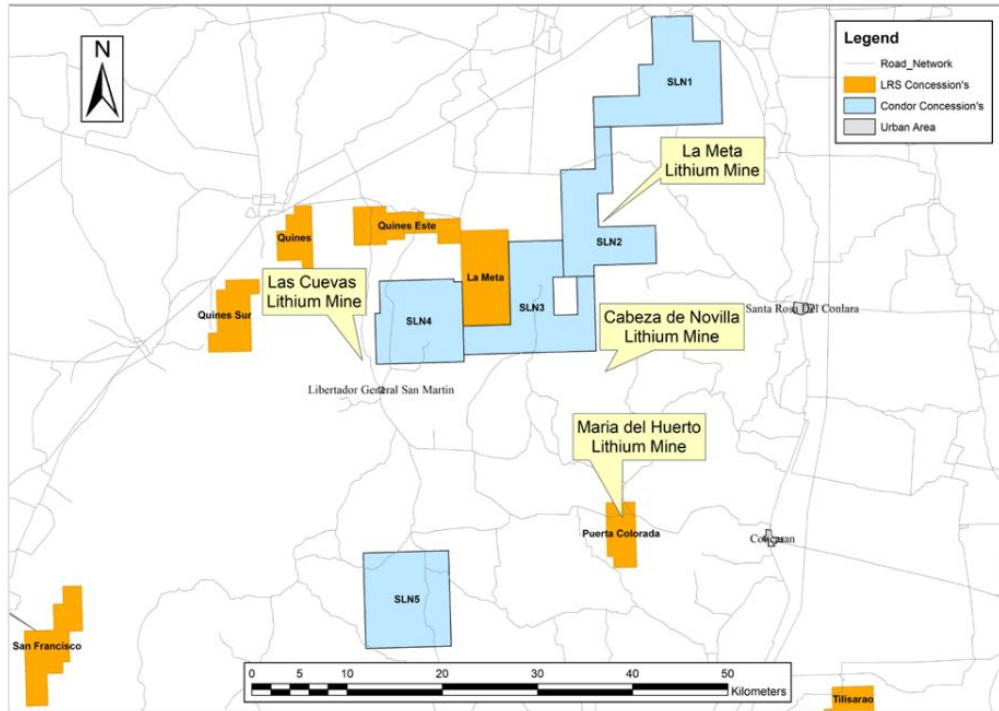


*Figure 8 - The Maria del Huerto Mine*

## REVIEW OF OPERATIONS

### *The Condor Concessions*

On the 16<sup>th</sup> February 2018, Latin Resources announced that it had entered a binding terms sheet to acquire a set of five exploration licences from Condor Prospecting (Kontrarian Resources) in the northern sector of the San Luis province. The concessions are near historic mines, contain favourable geology and were therefore deemed prospective.



*Figure 12 - The Condor Concession, San Luis*

The Condor Concession applications are in the same highly prospective pegmatitic zones of San Luis. This area lies within the Sierra Pampean geological province in Argentina which contains over 95% of the Argentine pegmatites and has been the site of historic spodumene, beryl and muscovite mines.

The pegmatites here occur as lenticular swarms of sills and dykes with thickness of 5m to over 40m and strike lengths mapped by satellites occasionally more than 1000m. They have the potential to contain lithium mineralisation commonly in the form of the highly desirable spodumene.

The condor concession applications are located approximately 100km to 150km from the provincial capital of San Luis and are close to major roads, water sources and power supply. Measuring a total of 44,209 hectares all but one of the tenements are contiguous and are either adjoining or very close to Latins La meta concession which provides the company with logistical advantages during exploration.

In the week of 22<sup>nd</sup> October 2018, the exploration team based themselves out of the town of La Merlo in the North of San Luis nearby to the condor tenure. The team examined historical literature and satellite imagery to identify prospective spodumene bearing pegmatites to be visited in the field.

New occurrences of spodumene were discovered over the course of the trip however no economic abundance of spodumene mineralisation was identified within the licenses. Extensive geochemical sampling, geological mapping and exploration drilling is required to further evaluate the potential of the region.

The company has currently put further reconnaissance work here on hold pending the outcome of permits at its existing flagship projects in San Luis.



## REVIEW OF OPERATIONS

### ILO COPPER PROJECT – (PERU)

Westminster Resources Ltd. (TSX.V: WMR) (Westminster) has now completed the incorporation of its subsidiary in Peru and has started the process to transfer the Peruvian copper projects acquired from Latin.

The projects consist of 36,225 hectares of exploration licences covering iron oxide copper gold (IOCG) and porphyry targets, near the port of Ilo in southern Peru, home to half of Peru's copper production. Two of the projects, Ilo Norte and Ilo Este, are advanced targets with significant historical exploration results, with another four earlier-stage projects that are considered highly prospective, based on both historical geophysical surveys and mapping/sampling programs.

The closing of the transaction included the issue of 19 million common shares of the capital of WMR to Latin Resources Ltd, which vest as follows:

- 1 million shares vest on 8 August 2018
- 3 million shares vest on 8 February 2019, along with the final US\$100,000 payment
- 15 million shares vest on 8 August 2019

On Settlement, WMR appointed Chris Gale, Managing Director of Latin Resources to its board.

On 16 August 2018, Westminster announced that it had entered into a Farm-In Agreement with AusQuest Limited (ASX: AQD). The Farm-In Agreement covers 5 Peruvian copper licences over an area of 4,900 hectares. These particular licences form part of the Ilo Sur project, which Westminster acquired along with the flagship Ilo Norte and Ilo Este projects from LRS. The Farm-In Agreement considers AusQuest completing 13,000 metres of drilling over 7.5 years to earn a 65% direct interest, with an option to earn 75% by completing a Pre-Feasibility Study.

The 5 licences being farmed to AusQuest are part of a 12,225 ha project area lying southwest of Westminster's Ilo Este Copper Project. AusQuest have licences adjacent to the Westminster licences which were drilled in 2016, providing AusQuest with encouragement to continue exploring this area for a possible buried porphyry copper target.

From a regional geological perspective, this project area is dominated by a Cretaceous-age diorite-granodiorite batholith, with coincident magnetic and radiometric anomalies adjacent to known structures, hosting multiple porphyry targets.

Terms of the Farm-In Agreement include an 18-month Phase 1 program to identify drill targets, a 3- year Phase 2 program of a minimum 3,000 m of drilling to earn the initial 35%, a 3-year Phase 3 program of a further 10,000 m of drilling or US\$2.5 million of additional expenditure (whichever comes first) to achieve a 65% interest, and then a final Phase 4 PFS program, to complete a Prefeasibility Study to achieve a 75% interest in the licences. Once AusQuest has earned 75%, it can offer to buyout Westminster's remaining 25% interest for fair market value.

### PACHAMANCA / MT-03 PROJECT – (PERU)

Approvals and permits were obtained during the reporting period allowing First Quantum Minerals to perform an induced polarization/resistivity geophysical survey of the Pachamanca/MT-03 area. Initial results were impacted by nitrate layers within the overlying caliche sediments. However, sufficient data was obtained to identify preliminary drill targets.

The company has continued to submit paperwork for the exploration permitting with the relevant Government departments to obtain the right to start its drilling program.

## REVIEW OF OPERATIONS

### TECHNOLOGY

#### ***License Option Agreement for Patented Lithium Extraction Technology in Argentina***

During October 2017, the Company secured the first option to acquire, on an exclusive basis, the license of the patented technology held by the National University of Cuyo (**UnCuyo**) in Mendoza Argentina for commercial use and exploitation in Argentina, Australia, China, Canada and the USA ("**Agreement**").

UnCuyo identified and owns the now patented technology which consists of the process of obtaining Lithium Carbonate from Lithium Aluminosilicates including spodumene ("**the Technology**").

Pursuant to the Agreement, the Company agreed to financially support the development of the Technology through the financing and scaling up of the Technology.

The initial trials were performed in a new pilot plant laboratory, financed by the company constructed during the first and second quarters of this year. The University has completed the initial stage test work to test the patented process to convert spodumene concentrate to a lithium carbonate product as required by the battery market.

The initial testing was performed on part of a 250 kg sample of spodumene concentrate obtained from samples extracted from one of the Company's Catamarca properties. The initial testing phase involved concentrating the spodumene to a 7.06-7.2% Li<sub>2</sub>O testing sample followed by reactor tests comparing outcomes over a number of varying conditions including temperature, reactor times and chemical solutions and concentrations. Initial results from the initial stage test work returned mineral dissolution of 81 -89% (target – 95%) with the most favorable rates obtained at a temperature of 125°C over a residence time of 120 minutes.

The second round of testing was completed in November 2018 which presented the partial results of the experimental tests aimed at determining the best recovery conditions, by chemical precipitation, of the by-products of the leaching of  $\alpha$ -spodumene with hydrofluoric acid (HF), in order to establish the conditions of maximum recovery of the by-products and with a minimum loss of lithium in each of the stages involved in this process. To carry out this study, the filtrates or solutions from the first pass testing of the mineral solution were used, largely from the tests detailed in the initial stage test work.

The next stage will involve determining the best way to extract lithium carbonate from the spodumene concentrate produced in the pilot plant.

### CORPORATE

#### **Convertible Security Funding**

During June 2018, the Company completed a Convertible Security Funding Agreement to provide a funding facility up to limit of \$6 million. The Facility is for a period of 24 months with a maturity date of 26 June 2020 with advanced amounts repayable in either cash or shares at the election of the Company.

The convertible note holder also has the election of requesting repayment of the original convertible note, for value of \$2,000,000, by acquiring a direct 5% interest in the Argentine Projects.

Security for the facility is provided by a general security agreement by the Company in favour of the convertible note holder and pledges over all shares in each subsidiary and the Company.

The Company has drawn a total of \$2.6 million under the facility. Repayments commenced in October 2018 and are made monthly thereafter. A total of 95,294,119 fully paid ordinary shares were issued in repayment of \$360,000 during October, November and December 2018. Subsequent to year end a further 197,532,681 fully paid ordinary shares were issued as repayment of \$396,000 for the period January to March 2019.

## REVIEW OF OPERATIONS

As part of the establishment costs of the Facility, the company issued 110,000,000 listed options exercisable at 1 cent per share expiring 12 October 2019 and 166,666,667 unlisted options exercisable at 0.43 cents per share expiring 18 December 2022.

### Loan Funded Shares

At the Annual General Meeting held 28 May 2018, shareholders approved the adoption of the Latin Resources Limited Loan Funded Share Plan and also approved the issue of 100,000,000 loan funded shares to directors.

The loan funded shares are issued at cost of 1.1 cents per share which is funded by a loan from the Company. The loans are interest free and with limited recourse to the participant and are unquoted shares until the loan has been repaid. The Plan requires the loan to be repaid before the participant can sell their shares.

### JV Negotiations

The Company is in preliminary discussions with a number of different parties in relation to potential joint venture agreements or offtake arrangements in respect of its lithium assets in Argentina. There remains strong interest from these parties to enter a JV with the Company once the permitting issues are resolved.

### Corporate Social Responsibility (CSR), Environment and Safety

Through its Peruvian and Argentinian subsidiaries, Latin Resources Limited applies some of the most comprehensive and advanced policies in Corporate Social Responsibility in the Peruvian and Argentinian Exploration and Mining Sector and shareholders can be assured that these provide Latin with a definite competitive advantage over other explorers in the Peruvian and Argentinian socio-environmental context. Also the company strives to comply fully with international environmental and safety standards that are the basis for Peruvian and Argentinian legislation governing the Mining Industry.

Safety is paramount in all Latin's activities, and the Group continues its exemplary record to date with no lost time injuries of the Group's employees on any Project.

### Competent person statements

*The information in this report that relates to Geological Data and Exploration Results post August 2018 is based on information compiled by Mr Samuel Moyle, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Moyle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 Moyle is the Exploration Manager of Latin Resources Limited and consents to the inclusion in this report of the matters based on his information, and information presented to him, in the form and context in which it appears.*

*The information in this report that relates to Geological Data and Exploration Results completed prior to August 2018 is based on information compiled by Mr Kerry Griffin, who is a Member of the Australian Institute of Geoscientists. Mr Griffin has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 Griffin was the Exploration and Development Manager of Latin Resources Limited and consents to the inclusion in this report of the matters based on his information, and information presented to him, in the form and context in which it appears.*

## DIRECTORS' REPORT

The directors present their report together with the financial statements of the Group consisting of Latin Resources Limited (Latin or the Company) and its subsidiaries (together the Group) for the year ended 31 December 2018.

### Directors

The names and details of the Company's directors in office during the financial period and until the date of this report are set out below. The directors were in office for this entire period unless otherwise stated.

#### DAVID VILENSKY (Independent Non-Executive Chairman)

David 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' 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.

Mr Vilensky acts for a number of listed and public companies and advises on directors' duties, due diligence, capital raisings, compliance with ASX Listing rules, corporate governance and corporate transactions generally.

Mr Vilensky is also a non-executive director of Vonex Ltd (ASX:VN8) and Oakdale Resources Limited (ASX: OAR) (appointed 6 March 2019).

#### CHRISTOPHER GALE (Managing Director)

Christopher (Chris) Gale is the Managing Director of Latin Resources. Mr Gale 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 a number of mining and technology companies during his career.

Former Chairman of the Council on Australian Latin American Relations (COALAR) established by the Australian Government Department of Foreign Affairs and Trade (DFAT) from 2012 to 2018.

He is also 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).

Mr Gale is also a non-executive director of Westminster Resources Limited (TSXV: WMR) (appointed July 2018) and Oakdale Resources Limited (ASX: OAR) (appointed 6 March 2019)

#### BRENT JONES (Non-Executive Director)

Mr. Jones is an experienced financial services professional who has held operating roles at Woolworths, AFL, Civil Engineers - Ostojic Group and the National Tax and Accountants' Association prior to his current management position.

Over the past 15 years, Mr. Jones has been the joint Managing Director of InterPrac Limited, an unlisted public company, specializing in providing the accounting industry access to financial services products and distribution capabilities.

Mr. Jones has a degree in information technology, is a member of the National Tax and Accountants Association and is a Graduate of the Australian Institute of Company Directors (AICD).

Other directorships of Australian listed companies held by Mr Jones in the last three years are: Nil

### Directors' shares and share rights

As at the date of this report, the interests of the Directors in the shares and options of Latin were as follows:

Director	Ordinary shares Number	Share rights Number	Loan funded shares	Share options Number
David Vilensky	15,059,136	-	25,000,000	-
Brent Jones	36,846,899	-	25,000,000	-
Chris Gale	9,531,042	9,005,323	50,000,000	-

### Company secretary

#### SARAH SMITH

Ms Smith holds a Bachelor of Business and is a Chartered Accountant with significant experience in the administration of ASX listed companies, as well as capital raisings and IPOs, due diligence reviews and ASIC compliance.

## DIRECTORS' REPORT

### Principal activities

The principal activities during the year of entities within the consolidated entity were the exploration and evaluation of mining projects in Peru and Argentina.

### Financial review

#### RESULTS

The consolidated loss after tax of the Group for the year ended 31 December 2018 was \$5,553,476 (2017: \$2,381,967).

The result comprises loss on sale of the Ilo Copper Project of \$1.5 million (2017:nil), finance expenses of \$1.2million (2017: \$0.9million), employee benefits expense of \$1.3million (2017: \$0.5 million) and other income and expense items \$1.6 million (2017: \$1.0 million).

#### ASSETS

Total assets increased marginally by \$0.3 million during the year to \$12.8 million. The movement primarily comprised an increase in exploration expenditure (net of currency loss) of \$1.0m and a reduction in cash of \$0.8 million. The carrying value of exploration and evaluation assets was affected by the settlement of the Ilo copper assets during the period with an increase in Investment in associated company of \$1.1 million ( after equity accounting for associate company loss of \$34,275).

#### LIABILITIES

Total liabilities increased by \$4.1 million to \$11.5 million during the year. The increase was due to the convertible security funding facility of \$2.2 million together with an increase of \$1.7 million in deferred consideration for the Guadalupe project due to the unwinding of interest.

#### EQUITY

Total equity decreased by \$3.8 million during the year to \$1.4 million. The decrease reflects the current period loss of \$5.6 million for the year countered by an increase in Reserves of \$2.3 million from foreign currency translation movements of \$0.5 million and increase in share based payments and transaction costs of \$1.8 million.

#### SHAREHOLDER RETURNS

The Company's share price decreased during the period however the market capitalisation of the company increased due to share and placement issues to fund the Company's defined strategic direction in the area of lithium in line with its long term strategy of mineral exploration in South America.

Shareholder returns for the last 5 years is as follows:

	December 2018	December 2017	December 2016	December 2015	December 2014
Loss attributable to the Group (\$)	(5,553,476)	(2,381,967)	(7,844,976)	(12,183,490)	(5,828,378)
Basic loss per share (Cents)	(0.002)	(0.12)	(0.63)	(2.41)	(2.17)
Dividends (\$)	Nil	Nil	Nil	Nil	Nil
Closing share price (\$)	0.003	0.011	0.012	0.005	0.023
Total shareholder return (%)	(73)	(8)	140	(78)	(67)

#### Dividends

No amounts have been paid or declared by way of a dividend since the end of the previous financial period and up until the date of this report. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2018.

#### Liquidity and capital resources

The Group's principal source of liquidity as at 31 December 2018 is cash and cash equivalents of \$204,764 (2017: \$995,492).

During the period the Company entered a Convertible Security Funding Agreement with Lind Asset Management XII, LLC. The Company has drawn \$2.6 million under a facility limit of \$6 million with undrawn facility of \$3.4 million available to the Company.

## **DIRECTORS' REPORT**

Funding for 2019 is expected from a combination of proceeds from the sale or joint venturing of interests in existing projects, further capital raisings, the potential conversion of options and drawdowns of available limits under the Convertible Security Funding Agreement.

### **Shares, share rights and options**

As at 31 December 2018 the Company had 2,788,670,639 fully paid Shares on issue, 100,000,000 loan funded unquoted shares on issue, 1,017,738,109 Share Options and 65,031,642 Share Rights on issue.

During the period Shareholders at the Annual General Meeting held 28 May 2018 approved the issue of 100,000,000 loan funded shares to directors.

#### **SHARES**

A total of 166,304,469 fully paid ordinary shares and 100,000,000 loan funded shares were issued during the year. A breakdown of the shares issued is shown at Note 19 of the financial statements

#### **SHARE RIGHTS**

During the year 21,352,308 share rights were issued to directors or employees, 4,569,231 share rights lapsed and 16,783,077 share rights were converted in accordance with the deferred rights plan approved by shareholders on 27 May 2014.

#### **OPTIONS**

During the year 767,738,109 options were issued and nil were exercised. A total of 9,375,000 options expired in the period unexercised. Options totalling 276,666,667 options were issued to the convertible note holder under the terms of the Convertible Security Funding Agreement.

As at the date of this report there were 1,017,738,109 Share Options on issue.

Option holders do not have the right, by virtue of the option, to vote or participate in any share issue of the Company or any related body corporate.

### **Significant changes in the state of affairs**

There have been no significant changes in the state of affairs of the Group other than those listed above.

### **Risk management**

The Board is responsible for identifying business risks and implementing actions to manage those risks and corporate systems to assure quality. The Board delegates these tasks to management who provide the Board with periodic reports identifying areas of potential risks and the safeguards in place to efficiently manage material business risks. Strategic and operational risks are reviewed at least annually as part of the forecasting and budgeting process.

The Managing Director and Chief Financial Officer have provided assurance in writing to the Board that they believe that the Company's material business risks are being managed effectively and that the Company's financial reporting, risk management and associated compliance and controls have been assessed and are operating effectively so far as they relate to the financial report.

### **Significant events after balance date**

Please refer to Note 27 for details of significant events after date

Post balance the following operational updates were also issued.

On 24 January 2019, the Company provided an update on various Company projects, including the following:

- Following a social and environmental agreement with the San Francisco and Rio Gomez communities and a co-operative agreement with the San Luis province, the Company can proceed to a detailed Memorandum of Understanding detailing criteria for the development of a lithium processing industry in the San Luis province.
- The transfer of concessions from the Company to Westminster Resources (WMR) was expected to be completed shortly allowing the Farm-in Agreement between WMR and Ausquest to commence. The Farm-in Agreement, covers 5 of the 36 Peruvian copper concessions sold by the Company to WMR, grants Ausquest has the right to earn a 65% interest over a period of 7.5 years by drilling 13,000 metres in phased programmes. Ausquest has the option to earn up to 75% by completing a Pre-feasibility Study on the concessions. Ausquest also has the option to acquire 100% of the concessions for fair market value once it has earned a 75% interest.

## DIRECTORS' REPORT

On 6 March 2019 the Company provided an update on recent visits to Argentina by the Chairman and Managing Director including meeting with various government officials and a presentation given to the San Luis Mining Directorate.

### Likely developments and expected results

In 2019 the Group intends to continue to progress its mineral projects in Argentina and Peru via JV arrangements or via the sale of its interests in the projects. The Group will also continue to look for other opportunities within South America that will create value for its shareholders.

### Environmental regulation and performance

The Group carries out exploration and evaluation activities at its operations in Peru and Argentina which are subject to environmental regulations. During the year there has been no significant breach of these regulations.

### Indemnification and insurance of directors and officers

During the year insurance premiums were paid to insure the Directors and officers against certain liabilities arising out of their conduct while acting as a director or an officer of the Company. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

### Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held for the year ended 31 December 2018 and the number of meetings attended by each director is as follows:

Director	Board meetings held	Board meetings attended
David Vilensky	7	7
Chris Gale	7	7
Brent Jones	7	7

### Committee membership

During the year the Board did not set up separate Committees. The Board carried out the duties that would ordinarily be carried out by the Nomination, Remuneration and Audit and Risk Management Committees.

### Corporate governance statement

The Company's Corporate Governance statement is located on the Company's website at [www.latinresources.com](http://www.latinresources.com).

### Diversity

Latin strives to be an equal opportunity employer and we will not discriminate against prospective employees based on gender or any other non-skill related characteristic. We pride ourselves on the diversity of our staff and encourage suitably qualified young people, women, people from cultural minorities and people with disabilities to apply for positions.

Whilst efforts will be made to identify suitably qualified female candidates and candidates from a diversity of backgrounds when seeking to fulfil positions, the Company does not believe it is meaningful, nor in the best interests of shareholders to set formal targets for the composition of employees based on gender or any other non-skill related characteristic nor detailed policies in this regard.

The Board has established a policy regarding diversity and details of the policy are available on the Company's website. Gender composition of the Group's workforce for the 2018 year is as follows:

	31 December 2018		31 December 2017	
	Female	Male	Female	Male
Board	-	100%	-	100%
Executive	33%	66%	-	100%
Group	50%	50%	62%	38%

## DIRECTORS' REPORT

### Auditors' independence declaration

The auditors' independence declaration is set out on page 48 and forms part of the Directors' report for the year ended 31 December 2018.

### Non-audit services

Non-audit services provided by the Group's auditor Stantons International during the year ended 31 December 2018 is shown at Note 28 of the financial statements.

The directors are satisfied that the provision of non-audit services, during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporation Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

### Remuneration report (Audited)

This remuneration report for the year ended 31 December 2018 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly and indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term executive includes executive directors and other senior management of the Group.

#### DIRECTOR AND SENIOR MANAGEMENT

##### Non-executive directors

David Vilensky	Non-Executive Chairman
Brent Jones	Non-Executive Director

##### Executive director

Chris Gale	Managing Director
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##### Other Executives

Sarah Smith	Company Secretary
Jon Grygorcewicz	Chief financial Officer
Sam Moyle	Exploration Manager

#### REMUNERATION GOVERNANCE

##### Remuneration Committee

The Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the Remuneration Committee Charter including the following processes to set the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Board approves the remuneration arrangements of the Managing Director and other executives and all awards made under incentive plans following recommendations from the Remuneration Committee.

The Board also sets the remuneration of Non-executive directors, subject to the fee pool approved by shareholders.

The Board approves, having regard to the recommendations of the Managing Director, the level of incentives to other personnel and contractors.

The Board seeks external remuneration advice as and when required to ensure it is fully informed when making remuneration decisions. Remuneration advisors are engaged by and report directly to the Board. No consultants were used or paid by the Group during the year.



## **DIRECTORS' REPORT**

### **NON-EXECUTIVE DIRECTOR REMUNERATION ARRANGEMENTS**

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The Constitution and the ASX listing rules specify that the aggregate remuneration of Non-executive directors shall be determined from time to time by a general meeting of shareholders. The current limit is \$350,000 which remains unchanged from when the company first listed on the ASX.

Non-executive directors are remunerated by way of fees based on remuneration of executive directors of comparable companies and scope and extent of the Company's activities. Non-executive directors are also entitled to participate in the Non-executive director Deferred Rights plan which was approved by shareholders on 27 May 2014. Directors do not receive retirement benefits nor do they participate in any incentive programs.

A total of 21,352,308 share rights were issued to directors during the year.

No options were awarded to non-executive directors as remuneration during the year.

#### **Non-executive director Deferred rights plan**

The Non-executive director Deferred rights plan was approved by shareholders on 27 May 2014 for the purpose of retaining Non-executive directors, controlling the cash cost of directors fees and aligning the interests of Non-executive directors with shareholders and providing them with the opportunity to participate in the future growth of the Group.

Under the plan the Group may offer share rights to Non-executive directors of the Company. Share rights issued under the Deferred rights plan comprise of retention rights being rights that vest and may be exercised into Restricted Shares, based on completion of a period of service.

The Board in their absolute discretion determine the number of share rights to be offered and the criteria that may apply. Offers made under the Deferred rights plan must set out the number of share rights, the vesting conditions and the measurement period.

The retention rights are issued for no consideration, however, the vesting of the benefits are conditional on achieving certain measurable performance measures. The performance measure for retention rights is the completion of service for the year. Vesting of the share rights is measured over a three year interval after the commencement of the respective measurement period. At the end of the measurement period and subject to the performance measures, each share right will convert into one ordinary share in the Company. The Group is aware that the vesting of share rights is treated as income to executives and attracts tax in a similar manner to cash payments irrespective of the executive selling or retaining the resulting shares.

The maximum percentage of base remuneration that a Non-executive director may receive in share rights is 100% which is pre-determined based on the advice of the remuneration consultant.

Where a non-executive director or employee ceases employment prior to their incentives vesting due to resignation or termination for cause, incentives will be forfeited. Where a non-executive director or employee ceases employment for any other reason, they may at the Board's discretion, retain a number of unvested share rights on a pro-rata basis to reflect their period of service during the measurement period. These unvested share rights only vest subject to meeting the relevant performance measures.

The Board will not seek any increase in the aggregate remuneration for the Non-executive director pool at the 2019 AGM.

### **EXECUTIVE REMUNERATION ARRANGEMENTS**

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group that is competitive by market standards and aligns their interests with those of shareholders.

Executive remuneration consists of fixed remuneration and variable remuneration comprising short term incentives and long term incentives.

#### **Fixed remuneration**

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Board through a process that considers individual performance, Group performance and market conditions.

## DIRECTORS' REPORT

### Variable remuneration

The Company established an Incentive Rights Plan (the Plan) that was re-approved by shareholders on 27 November 2015 and applies to full time and permanent part time employees and contractors.

The Plan provides the Company with a range of incentives to attract, retain and align the interest of shareholders and employees and contractors.

#### *Short term incentives*

Short term incentives (STI) may include cash and shares and are awarded to executives based on the achievement of KPI's. Given the current stage of the Company's evolution and the market conditions for mineral exploration and development companies, no STI targets were established at the start of the reporting period, and hence no STI's were issued for the year ended 31 December 2018.

#### *Long term incentives*

Long term incentives (LTI) are considered annually by the Remuneration Committee to align remuneration with the creation of shareholder value over the long term.

LTI's can include:

- cash;
- retention rights being rights that vest and may be exercised into Restricted Shares, based on completion of a period of service and comprise no more than third of the LTI value; and
- performance rights, being rights that vest and may be exercised into Restricted Shares, based on achievement of specified performance objectives and comprise no more than two thirds of the LTI value.

The retention and performance rights are issued for no consideration, however, the vesting of the benefits are conditional on achieving specific measurable performance measures that are aligned with the Group's strategic objectives.

The following performance measures were used in 2018, in equal weighting:

- Completion of service for the year; and
- Shareholder returns (Total shareholder return of 15% per annum or greater).

Vesting of the LTI is measured over a three year interval after the commencement of the respective measurement period. At the end of the measurement period and subject to the performance measures, each share right will convert into one ordinary share in the Company. The Group is aware that the vesting of share rights is treated as income to executives and attracts tax in a similar manner to cash payments irrespective of the executive selling or retaining the resulting shares.

The maximum percentage of base remuneration that an executive may receive as a LTI is pre-determined based on the advice of the remuneration consultant. The maximum percentage of base remuneration that the Managing Director can receive is 60% and for other executives it is 45%.

Where a director or employee ceases employment prior to their incentives vesting due to resignation or termination for cause, incentives will be forfeited. Where a director or employee ceases employment for any other reason, they may at the Board's discretion, retain a number of unvested share rights on a pro-rata basis to reflect their period of service during the LTI grant performance period. These unvested share rights only vest subject to meeting the relevant LTI performance measures.

### Employment agreements and contracts

The Group has entered into contracts and agreements with executives the details of which are provided below.

#### *Non-Executive Directors*

The Chairman and Non-Executive Directors are elected to the Board by shareholders on rotation. The pool of directors' remuneration, including cash payments for directors' fees and share based incentive remuneration, is approved by shareholders in Annual Meeting.

In accordance with the total directors' fees approved by shareholders, the Board has agreed the following directors' fees to be paid:

- |                           |                     |
|---------------------------|---------------------|
| - Chairman                | \$64,800 per annum  |
| - Non-Executive directors | \$50,000 per annum. |

No committee fees are paid.

## **DIRECTORS' REPORT**

### ***Managing Director***

The Managing Director is currently employed under a consultancy agreement for a three year term ending on 30 September 2019 which can be extended by mutual consent. Mr Gale is paid a fixed remuneration of A\$300,000 per annum with an uplift in remuneration in the event of an increase in the market capitalisation of the Company.

The Group may terminate the agreement with or without cause by giving one month and six months' notice respectively. The Managing director may terminate the agreement with or without cause by giving 21 days and three months' notice respectively. If the agreement is terminated without cause or due to a change of control the Managing Director is entitled to a payment equivalent to fees for one year, the value of any annual fringe benefits and any vested entitlement under a LTI plan.

The Group retains the right to terminate the agreement immediately by making a payment in lieu of notice for termination by either party without cause.

### ***Exploration Manager***

The Exploration and Development Manager is employed under employment agreement at an annual salary of \$162,000 per annum plus superannuation.

### ***Company Secretary***

The Company Secretary is employed under a consultancy agreement which is ongoing. Either party may terminate the agreement by giving 60 days written notice. The monthly retainer fee for the Company Secretary is \$3,000 per month plus GST with additional fees charged for shareholder meetings and corporate actions.

### ***Chief Financial Officer (CFO)***

The CFO services are supplied by a third party consultancy group under a consultancy agreement which is ongoing. Either party may terminate the agreement by giving 1 months' notice. The CFO services are supplied at the rate of \$1,600 per day plus GST on an as needs basis with a minimum of 1 day per week. Either party may terminate the agreement by giving 1 month written notice.

### ***Prohibition on trading***

The Remuneration policy prohibits directors and employees that are granted shares as a result of share rights from entering into arrangements that limit their exposure to losses that would result from share price decreases. The policy also requires directors, and employees to seek approval from the Company prior to that individual buying or selling any company securities. Directors and employees are not permitted to trade during a closed period. Procedures are in place where trading during a closed period is sought in exceptional circumstances.

## DIRECTORS' REPORT

### REMUNERATION OF KEY MANAGEMENT PERSONNEL AND EXECUTIVES FOR THE YEAR ENDED 31 DECEMBER 2018

12 months to 31 Dec 2018	Short-term benefits			Post- employment	Other long- term benefits	Share-based payments			Total	Performance related	Equity compensation
	Salary & Fees	Bonus	Non-cash benefits	Super	Long service leave	Share rights	Shares	Loan funded shares			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Directors</b>											
D. Vilensky	64,800	-	-	-	-	47,340	-	35,400	147,540	-	56%
C. Gale	300,000	20,000	-	-	-	268,212 <sup>3,4</sup>	-	70,800	659,012	44%	11%
B. Jones	50,000	-	-	-	-	36,528	-	35,400	121,928	-	59%
<b>Other KMP</b>											
S. Smith	41,300	-	-	-	-	-	-	-	41,300	-	-
J. Grygorcewicz	128,000	-	-	-	-	-	-	-	128,000	-	-
K. Griffin <sup>1</sup>	155,361	-	-	-	-	-	14,000	-	169,361	-	8%
S. Moyle <sup>2</sup>	65,322	-	-	6,206	-	-	6,000	-	77,528	-	8%
<b>Total</b>	<b>804,783</b>	<b>20,000</b>	-	<b>6,206</b>	-	<b>352,080</b>	<b>20,000</b>	<b>141,600</b>	<b>1,344,669</b>	<b>21%</b>	<b>18%</b>

<sup>1</sup> Mr Griffin's consultancy contract with the Company was terminated effective 2 January 2019.

<sup>2</sup> Mr Moyle commenced with the company on 6 July 2018 and remuneration commencing 6 August 2018.

<sup>3</sup> Of this amount \$164,558 relates to 48,026,319 incentive and 9,005,323 retention share rights approved for issue by shareholders in prior years. Of this amount \$41,462 was expensed and the balance was capitalised.

On 29 March 2019 and subsequent to year the 48,026,319 incentive rights did not meet the performance criteria and lapsed and no financial benefit was realised.

<sup>4</sup> Of this amount, \$103,654 relates to 13,846,154 share rights approved for issue by shareholders in General Meeting on 19 February 2018. A portion of \$65,824 was expensed and the balance capitalised.

Of the 13,846,154 share rights approved for issued to Mr Gale during the year, 4,569,231 of the share rights were incentive share rights which did not meet the performance criteria and lapsed. The balance of 9,276,923 were retention rights of which 9,000,000 were transferred to third parties. The balance of 276,923 retention rights held by Mr Gale were converted into 186,014 ordinary shares.

## DIRECTORS' REPORT

### REMUNERATION OF KEY MANAGEMENT PERSONNEL AND EXECUTIVES FOR THE YEAR ENDED 31 DECEMBER 2017

12 months to 31 Dec 2017	Short-term benefits			Post-employment		Other long-term benefits	Share-based payments		Total	Performance related	Equity compensation
	Salary & Fees \$	Bonus \$	Non-cash benefits \$	Super \$	Other \$	Long service leave \$	Share rights \$	Shares \$	\$	%	%
<b>Directors</b>											
D. Vilensky	64,800	15,000	-	-	-	-	-	-	79,800	19%	-
C. Gale	312,500	15,000	-	-	-	-	164,557 <sup>1</sup>	-	492,057	22%	33%
B. Jones	50,000	15,000	-	-	-	-	-	-	65,000	23%	-
<b>Other KMP</b>											
S. Smith	47,070	-	-	-	-	-	-	-	47,070	-	-
J. Grygorcewicz <sup>2</sup>	89,850	-	-	-	-	-	-	-	89,850	-	-
K. Griffin	324,363	-	-	-	-	-	-	-	324,363	-	-
<b>Total</b>	<b>888,583</b>	<b>45,000</b>	-	-	-	-	<b>164,557</b>	-	<b>1,098,140</b>	<b>11%</b>	<b>15%</b>

<sup>1</sup> These amounts refer to share rights issued in accordance with the Incentive rights plan approved by shareholders on 30 November 2014. Out of the total of \$164,557, a portion of \$41,140 was expensed during the year with the balance being capitalised.

<sup>2</sup> Mr Grygorcewicz joined the Company on 21 February 2017.

## DIRECTORS' REPORT

### ADDITIONAL DISCLOSURES RELATING TO REMUNERATION

#### (a) Share holdings of key management personnel

31 Dec 2018	Balance at start of year	Granted as remuneration	On exercise of options/conversion of rights	Net change other	Balance at end of year
<b>Directors</b>					
D. Vilensky	10,913,122	-	4,146,014	-	15,059,136
C. Gale	9,345,028	-	186,014	-	9,531,042
B. Jones	41,966,653	-	3,178,322	(15,798,076) <sup>1</sup>	29,346,899
<b>Other KMP</b>					
S. Smith	-	-	-	-	-
J. Grygorcewicz	1,000,000	-	-	-	1,000,000
K. Griffin <sup>2</sup>	-	2,000,000	-	(2,000,000)	-
S Moyle	-	2,000,000	-	-	2,000,000
	<b>63,224,803</b>	<b>4,000,000</b>	<b>7,510,350</b>	<b>(17,798,076)</b>	<b>56,937,077</b>

<sup>1</sup> 16,548,076 shares sold by Interprac Limited of which Mr Jones was a Director.

<sup>2</sup> Mr Griffin consultancy contract with the Company was terminated effective 2 January 2019.

31 Dec 2017	Balance at start of year	Granted as remuneration	On exercise of options	Net change other	Balance at end of year
D. Vilensky	6,589,479	-	4,323,463 <sup>2</sup>	180	10,913,122
C. Gale	9,367,615	-	977,413 <sup>2</sup>	(1,000,000)	9,345,028
B. Jones	41,466,653	-	-	500,000	41,966,653
<b>Other KMP</b>					
S. Smith	-	-	-	-	-
J. Grygorcewicz <sup>1</sup>	-	-	-	1,000,000	1,000,000
K. Griffin	-	-	-	-	-
	<b>57,423,747</b>	<b>-</b>	<b>5,300,876</b>	<b>500,180</b>	<b>63,224,803</b>

<sup>1</sup> Mr Grygorcewicz commenced with the Company on 21 February 2017.

<sup>2</sup> The shares were issued for rights approved and issued in prior years. Share rights are converted according to the calculation criteria as per the Share Rights Plan as approved by shareholders on 27 May 2014.

#### Loan Funded Shares

31 Dec 2018	Balance at start of year	Granted as remuneration	On exercise of options	Net change other	Balance at end of year
D. Vilensky	-	25,000,000	-	-	25,000,000
C. Gale	-	50,000,000	-	-	50,000,000
B. Jones	-	25,000,000	-	-	25,000,000
	<b>-</b>	<b>100,000,000</b>	<b>-</b>	<b>-</b>	<b>100,000,000</b>

At the Annual General Meeting held 28 May 2018, shareholders approved the adoption of the Latin Resources Limited Loan Funded Share Plan and also approved the issue of 100,000,000 loan funded shares to directors.

The loan funded shares are issued at cost of 1.1 cents per share which is funded by a loan from the Company. The loans are interest free and with limited recourse to the participant and are unquoted shares until the loan has been repaid. The Plan requires the loan to be repaid before the participant can sell their shares.

## DIRECTORS' REPORT

### ADDITIONAL DISCLOSURES RELATING TO REMUNERATION

#### (a) Share right holdings of key management personnel (continued)

	Balance at start of year	Granted as remuneration	Converted to Shares	Net change other	Balance at end of year
<b>31 Dec 2018</b>					
<b>Directors</b>					
D. Vilensky	-	4,236,923	(4,236,923)	-	-
C. Gale	57,031,642	13,846,154	(276,923)	(13,569,231)	57,031,642
B. Jones	-	3,269,231	(3,269,231)	-	-
<b>Other KMP</b>					
S. Smith	-	-	-	-	-
J. Grygorcewicz	-	-	-	-	-
K. Griffin	-	-	-	-	-
	<b>57,031,642</b>	<b>21,352,308</b>	<b>(7,786,077)</b>	<b>(13,569,231)</b>	<b>57,031,642</b>
<b>31 Dec 2017</b>					
D. Vilensky	4,414,552	-	(4,414,552) <sup>1</sup>	-	-
C. Gale	58,099,964	-	(1,068,322) <sup>1</sup>	-	57,031,642
B. Jones	-	-	-	-	-
<b>Other KMP</b>					
S. Smith	-	-	-	-	-
J. Grygorcewicz	-	-	-	-	-
K. Griffin	-	-	-	-	-
	<b>62,514,516</b>	<b>-</b>	<b>(5,482,874)</b>	<b>-</b>	<b>57,031,642</b>

<sup>1</sup> Share rights were converted according to the calculation criteria as per the Share Rights Plan as approved by shareholders on 27 May 2014

#### (b) Vesting profile of share rights granted to key management personnel

	Number	Grant date	Vested in year (%)	Net change other (%)	Date at which share rights are to be vested
<b>Directors</b>					
D. Vilensky – Retention rights	4,235,923	19/2/2018	100%	-	16/3/2018
C. Gale – Retention rights <sup>1</sup>	9,005,323	31/10/2016	-	-	31/10/2019
C. Gale – Retention rights	9,276,923	19/2/2018	100%	-	16/3/2018
C. Gale – Performance rights <sup>1</sup>	48,026,319	31/10/2016	-	-	31/10/2019
C. Gale – Performance rights	4,569,231	19/2/2018	3%	(97%) <sup>2</sup>	16/3/2018
B. Jones – Retention rights	3,269,231	19/2/2018	100%	-	16/3/2018
<b>Other KMP</b>					
S. Smith	-	-	-	-	-
J. Grygorcewicz	-	-	-	-	-
K. Griffin	-	-	-	-	-

<sup>1</sup> Performance rights are subject to the vesting conditions being satisfied after the Measurement Period of 3 years commencing 1 January 2016. These performance rights lapsed subsequent to balance date on 29 March 2019.

<sup>2</sup> 4,569,231 of the performance rights issued to Mr Gale during the year lapsed as they did not meet the vesting criteria.

## DIRECTORS' REPORT

### (c) Option holdings of key management personnel

The number of options held by directors and other key management personnel both directly and indirectly are set out below.

31 Dec 2018	Balance at start of year	Granted as remuneration	Exercised	Net change other	Balance at end of year	Vested exercisable	Vested not exercisable
<b>Directors</b>							
D. Vilensky	-	-	-	-	-	-	-
C. Gale	-	-	-	-	-	-	-
B. Jones	-	-	-	-	-	-	-
<b>Other KMP</b>							
S. Smith	-	-	-	-	-	-	-
J. Grygorcewicz	-	-	-	1,000,000	1,000,000	1,000,000	-
K. Griffin	-	-	-	-	-	-	-
S. Moyle	-	-	-	-	-	-	-
	-	-	-	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	-
31 Dec 2017	Balance at start of year	Granted as remuneration	Exercised	Net change other	Balance at end of year	Vested exercisable	Vested not exercisable
<b>Directors</b>							
D. Vilensky	1,502,370	-	-	(1,502,370) <sup>1</sup>	-	-	-
C. Gale	2,926,073	-	-	(2,926,073) <sup>1</sup>	-	-	-
B. Jones	1,562,494	-	-	(1,562,494) <sup>2</sup>	-	-	-
<b>Other KMP</b>							
S. Smith	-	-	-	-	-	-	-
J. Grygorcewicz	-	-	-	-	-	-	-
K. Griffin	-	-	-	-	-	-	-
	<b>5,990,937</b>	-	-	<b>(5,990,937)</b>	-	-	-

<sup>1</sup> Options expired during the period unexercised. The options were initially granted on 7 August 2015.

<sup>2</sup> Options expired during the period unexercised. The options were initially granted on 26 February 2016.

### (d) Loans to key management personnel

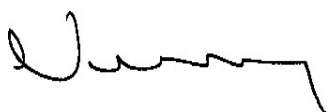
At the Annual General Meeting held 28 May 2018, shareholders approved the adoption of the Latin Resources Limited Loan Funded Share Plan and also approved the issue of 100,000,000 loan funded shares to directors.

The loan funded shares are issued at cost of 1.1 cents per share and funded by a loan from the Company. The loans are interest free and with limited recourse to the participant and are unquoted shares until the loan has been repaid. The Plan requires the loan to be repaid in full before the participant can sell their shares.

### (e) Other transactions with key management personnel

Refer Note 23 for details of other transactions with directors. There were no other transactions with other key management personnel during the current or prior year.

This Report is signed in accordance with a resolution of the Board of Directors.



**David Vilensky**  
**Chairman**

Signed on 31 March 2019



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the twelve months ended 31 December 2018

	Notes	31 Dec 2018 \$	31 Dec 2017 \$
Interest revenue		704	4,550
Other income and losses	5	(1,799,700)	116,945
Depreciation and amortisation expense	13	(15,875)	(18,526)
Employee benefits expense	6(a)	(1,259,775)	(490,704)
Finance expenses	6(b)	(1,195,855)	(882,727)
Equity share of associated company loss	12	(34,275)	-
Exploration and evaluation expenditure	14	-	-
Profit/(Loss) on fair value of financial assets through profit or loss		(214,500)	264,500
Other expenses	6(c)	(1,034,200)	(1,376,005)
<b>Loss before tax</b>		<b>(5,553,476)</b>	<b>(2,381,967)</b>
Income tax benefit	7	-	-
<b>Loss for the year</b>		<b>(5,553,476)</b>	<b>(2,381,967)</b>
<b>Loss attributable to owners of the Parent Company</b>		<b>(5,553,476)</b>	<b>(2,381,967)</b>
<b>Other comprehensive income</b>			
<i>Items that cannot be reclassified to profit or loss in subsequent periods:</i>		-	-
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translating foreign operations	20	492,336	(822,997)
<b>Total comprehensive loss for the year attributable to owners of the Parent Company</b>		<b>(5,061,140)</b>	<b>(3,204,964)</b>
Basic and diluted loss per share (Cents)	8	(0.2)	(0.12)

*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 31 December 2018

	Notes	31 Dec 2018 \$	31 Dec 2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9(a)	204,764	995,492
Trade and other receivables	10(a)	751,708	141,193
Assets held for sale	11	-	2,898,233
Other financial assets	12	43,700	348,610
<b>Total current assets</b>		<b>1,000,172</b>	<b>4,383,528</b>
<b>Non-current assets</b>			
Trade and other receivables	10(b)	1,824,598	1,700,263
Plant and equipment	13	80,374	65,541
Investments accounted for using the equity method	12	1,051,214	-
Exploration and evaluation assets	14	8,866,009	6,368,500
<b>Total non-current assets</b>		<b>11,822,195</b>	<b>8,134,304</b>
<b>Total assets</b>		<b>12,822,367</b>	<b>12,517,832</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	1,100,194	855,801
Interest bearing loans and borrowings	16	2,235,341	65,000
Deferred consideration	17(a)	22,000	22,000
Provisions	18	65,234	45,885
<b>Total current liabilities</b>		<b>3,422,769</b>	<b>988,686</b>
<b>Non-current liabilities</b>			
Deferred consideration	17(b)	8,036,068	6,364,308
<b>Total non-current liabilities</b>		<b>8,036,068</b>	<b>6,364,308</b>
<b>Total liabilities</b>		<b>11,458,837</b>	<b>7,352,994</b>
<b>Net assets</b>		<b>1,363,530</b>	<b>5,164,838</b>
<b>EQUITY</b>			
Contributed equity	19	45,902,186	46,437,382
Reserves	20	9,844,845	7,557,481
Accumulated losses	21	(54,383,501)	(48,830,025)
<b>Total equity</b>		<b>1,363,530</b>	<b>5,164,838</b>

*The above consolidated statement of financial position should be read in conjunction with accompanying notes*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months ended 31 December 2018

	Contributed equity	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 January 2017</b>	<b>42,041,903</b>	<b>2,532,576</b>	<b>5,558,345</b>	<b>(46,448,058)</b>	<b>3,684,766</b>
Loss for the year	-	-	-	(2,381,967)	(2,381,967)
Other comprehensive income	-	-	(822,997)	-	(822,997)
Total comprehensive loss	-	-	(822,997)	(2,381,967)	(3,204,964)
<b>Issue of shares</b>	<b>4,874,890</b>	-	-	-	<b>4,874,890</b>
<b>Share based payments</b>	-	<b>164,557</b>	-	-	<b>164,557</b>
Transaction costs	(479,411)	125,000	-	-	(354,411)
<b>Balance at 31 December 2017</b>	<b>46,437,382</b>	<b>2,822,133</b>	<b>4,735,348</b>	<b>(48,830,025)</b>	<b>5,164,838</b>
Loss for the year	-	-	-	(5,553,476)	(5,553,476)
Other comprehensive loss	-	-	492,336	-	492,336
Total comprehensive loss	-	-	492,336	(5,553,476)	(5,061,140)
Issue of shares	595,720	-	-	-	595,720
Share based payments	-	687,885	-	-	687,885
Transaction costs	(1,130,916)	1,107,143	-	-	(23,773)
<b>Balance at 31 December 2018</b>	<b>45,902,186</b>	<b>4,617,161</b>	<b>5,227,684</b>	<b>(54,383,501)</b>	<b>1,363,530</b>

*The above consolidated statement of changes in equity should be read in conjunction with accompanying notes.*

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve months ended 31 December 2018

	Notes	31 Dec 2018 \$	31 Dec 2017 \$
<b>Cash flows from operating activities</b>			
Receipts from other income		34,745	27,926
Payments to suppliers and employees		(1,969,145)	(1,976,425)
Interest received		704	4,548
Interest paid		(34,824)	(30,000)
<b>Net cash flows used in operating activities</b>	9(b)	<b>(1,968,520)</b>	<b>(1,973,951)</b>
<b>Cash Flows from investing activities</b>			
Payments for plant and equipment	13	(31,444)	(12,929)
Proceeds from sale of exploration and evaluation assets		189,873	-
Proceeds from sale of investments		237,360	208,372
Purchase of equity investments in listed entities		-	-
Payments for exploration and evaluation assets		(1,681,627)	(2,623,514)
Proceeds from security deposits		(13,590)	2,629
<b>Net cash flows used in investing activities</b>		<b>(1,299,428)</b>	<b>(2,425,442)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of equity	19	-	4,849,738
Transaction costs of issuing shares		(23,775)	(354,411)
Proceeds from borrowing		2,600,000	-
Transaction costs of borrowings		(91,000)	-
Repayment of borrowings		(66,620)	(435,000)
<b>Net cash from financing activities</b>		<b>2,418,605</b>	<b>4,060,327</b>
Net (decrease in cash and cash equivalents)		(849,343)	(339,066)
Cash and cash equivalents at the beginning of the year		995,492	1,338,668
Net foreign exchange difference		58,615	(4,110)
<b>Cash and cash equivalents at the end of the year</b>	9(a)	<b>204,764</b>	<b>995,492</b>

*The above consolidated statement of cash flows should be read on conjunction with accompanying notes.*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Corporate information

The consolidated financial statements of the Group, being Latin Resources Limited (**the Company** or **Parent**) and its subsidiaries (collectively, **the Group**), for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 31 March 2019.

Latin Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the directors' report. Information on the Group's structure and other related party relationships is provided in Note 23(c).

### 2. Summary of significant accounting policies

#### (a) BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis except for certain financial instruments which are fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

#### (b) COMPLIANCE WITH IFRS

The financial report also complies with International Financial reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

#### (c) CHANGE IN ACCOUNTING POLICY AND DISCLOSURES.

The accounting policies adopted are consistent with those of the previous financial year except as noted below.

#### (d) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

##### Application of new and revised Accounting Standards

The Group has considered the implications of new and amended Accounting Standards applicable for the annual reporting periods beginning after 1 January 2018 but determined that their application to the financial statements is either not relevant or not material.

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

##### Standards and Interpretations issued but not yet adopted:

- **AASB 16: Leases**

This Standard supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, IC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a lease.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16

The key features of AASB 16 are as follows:

##### Lessee accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for lessees.

## NOTES TO THE FINANCIAL STATEMENTS

### Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
  - AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.
- **Other standards not yet applicable**

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (e) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Latin Resources Limited and its subsidiaries as at the end of each reporting period.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Information regarding subsidiaries is disclosed in Note 23(c).

The financial statements of subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies or adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profits and losses resulting from inter-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

### (f) COMPARATIVE INFORMATION

Certain comparative information in the financial report may have been reclassified to aid comparability with the current year.

### (g) GOING CONCERN

The financial report has 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 year ended 31 December 2018 the consolidated entity incurred a loss of \$5,553,476 (2017 \$2,381,967), had net cash outflows from operating and investing activities of \$3,267,948 (2017: \$4,399,393) and had net working capital deficit of \$2,422,597 as at 31 December 2018 (2017: surplus \$496,609 excluding assets held for sale).

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.

At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue its planned operations and the Group will be able to meet its obligations as and when they fall due because the directors are confident that the Group will be able to realise certain of its assets or seek alternative sources of funding if required. Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its

## NOTES TO THE FINANCIAL STATEMENTS

liabilities in the normal course of business and at the amounts stated in the financial report. The consolidated financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

### (h) SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision makers being the Board.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

The Group determines and presents operating segments based on the information internally provided to the Board.

### (i) REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The following specific recognition criteria must also be met before revenue is recognised:

#### Interest income

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

### (j) CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

### (k) INCOME TAX

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities related to the same taxable entity and the same taxation authority.

### (l) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.



## NOTES TO THE FINANCIAL STATEMENTS

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### **(m) LEASES**

Leases in which a significant portion of the risks and rewards of ownership benefits are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Profit or Loss on a straight lined basis over the life of the lease.

### **(n) BORROWING COSTS**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **(o) EARNINGS PER SHARE**

#### **Basic earnings per share**

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

#### **Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **(p) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the Statement of Financial Position.

### **(q) FINANCIAL ASSETS**

Shares held for trading have been classified as financial assets at fair value through profit or loss. Financial assets held for trading purposes are stated at fair value, with any resultant gain or loss recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. Assets in this category are classified as current assets if they are expected to be realised within 12 months otherwise they are classified as non-current assets.

### **(r) PROPERTY, PLANT & EQUIPMENT**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Plant and equipment - over 3 to 5 years; and
- Motor Vehicles - over 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the item is derecognised.

## NOTES TO THE FINANCIAL STATEMENTS

### (s) EXPLORATION AND EVALUATION EXPENDITURE

Expenditure on exploration and evaluation expenditure is accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either:

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised 'Mine properties in development'. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying value of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Refer Note 3 and 14 for details regarding the impairment charge for the reporting period.

### (t) TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### (u) DEFERRED CONSIDERATION

Deferred consideration arises when settlement of all or any part of the cost of an exploration and evaluation properties is deferred.

It is stated at fair value at the date of acquisition, which is determined by discounting the amount due to present value at that date.

Interest is imputed on the fair value of non-interest bearing deferred consideration at the discount rate and capitalised as part of exploration and evaluation properties.

At each balance sheet date deferred consideration comprises the remaining deferred consideration valued at acquisition plus interest imputed on such amounts from acquisition to the balance sheet date.

### (v) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of managements best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(w) FINANCIAL LIABILITIES**

#### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

#### **Subsequent measurement**

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

#### **Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate method (EIR). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 16.

### **(x) EMPLOYEE BENEFITS**

#### **Wages, salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

#### **Long service leave and other employment entitlements**

The liability for long service leave and other employment entitlements is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### **(y) FOREIGN CURRENCY TRANSLATION**

#### **Functional and presentation currency**

The consolidated financial statements are presented in Australian dollars, which is Latin Resources Limited's functional and presentation currency.

Each entity in the Group determines its own functional currency based on the primary economic environment and items included in the financial statements of each entity are measured using that functional currency.

#### **Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at a rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial statements are taken to the profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the profit or loss. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that

## NOTES TO THE FINANCIAL STATEMENTS

particular foreign operation is recognised in the profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### Group companies

The functional currency of Peruvian Latin Resources SAC, Minera Dylan SAC, Recursos Latinos S.A. and Mineracao Ferro Nordeste Ltda is United States dollars.

The functional currency of these subsidiaries has been translated into Australian dollars for presentation purposes. The assets and liabilities of this subsidiary are translated using the exchange rates prevailing at the reporting date; revenues and expenses are translated using average exchange rates for the period; and equity transactions eliminated on consolidation are translated at exchange rates prevailing at the dates of transactions.

The resulting difference from translation is recognised in a foreign currency translation reserve through other comprehensive income.

### (z) INVESTMENT IN ASSOCIATES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associates is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. The statement of profit or loss reflects the Group's share of the results of operations of the associate.

### (aa) SHARE BASED PAYMENT TRANSACTIONS

Equity-settled share-based payments are measured at the fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the Statement of comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

### (aa) FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

## NOTES TO THE FINANCIAL STATEMENTS

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies management makes judgements. In addition the carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### ***Determination of mineral resources and ore reserves***

The Group reports its mineral resources and ore reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 Edition (the JORC code) as a minimum standard. The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in reserves or resources being restated.

#### ***Impairment of Exploration and evaluation assets***

The Group accounts for Exploration and evaluation assets in accordance with its policy (refer Note 1(s)).

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the statement of profit or loss and other comprehensive income.

The Group's projects are considered to not be at the stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

The future recoverability of Exploration and evaluation assets is dependent on a number of factors, including whether the Group decides to exploit the related concession itself or, if not, whether it can successfully recover the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised Exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made. No concessions were relinquished during 2018 and no impairment charge was made.

## NOTES TO THE FINANCIAL STATEMENTS

### *Share-based payment transactions*

The Group measures the cost of equity-settled and cash-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model and the assumptions and carrying amount at the reporting date.

### *Deferred income tax benefit from carried forward tax losses*

The future recoverability of the carried forward tax losses are dependent upon Group's ability to generate taxable profits in the future in the same tax jurisdiction in which the losses arise. This is also subject to determinations and assessments made by the taxation authorities.

The recognition of a deferred tax asset on carried forward tax losses (in excess of taxable temporary differences) is dependent on management's assessment of these two factors. The ultimate recoupment and the benefit of these tax losses could differ materially from management's assessment.

## 4. OPERATING SEGMENT INFORMATION

The Group has identified its operating segments in accordance with its accounting policy as set out in Note 2(h) and based on the internal reports that are reviewed and used by the Board (chief operating decision maker) in assessing performance and in determining the allocation of resources. The Group's four operating segments are Australia, Brazil, Peru and Argentina.

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

2018	Australia	Peru	Argentina	Brazil	Total
	\$	\$	\$	\$	\$
<b>Revenue</b>					
Interest revenue	704	-	-	-	704
Other income	133,360	179,448	-	-	312,808
<b>Total revenue</b>	<b>134,064</b>	<b>179,448</b>	-	-	<b>313,512</b>
<b>Results</b>					
Depreciation & amortisation expense	(4,211)	(11,664)	-	-	(15,875)
Share based payments	(394,754)	-	-	-	(394,754)
Interest expense	(224,574)	(1,589)	-	-	(226,163)
Loss on sale of exploration project	(447,993)	(1,086,997)	-	-	(1,534,990)
Net foreign exchange gain(loss)	(39,862)	(318,588)	(219,068)	-	(577,518)
Other expenses	(1,529,805)	(426,621)	(165,359)	-	(2,121,785)
Share of Associate Company loss	(34,275)	-	-	-	(34,275)
Unwinding of interest	-	(961,628)	-	-	(961,628)
<b>Total expenses</b>	<b>(2,675,474)</b>	<b>(2,807,087)</b>	<b>(384,427)</b>	-	<b>(5,866,988)</b>
<b>Segment loss</b>	<b>(2,541,410)</b>	<b>(2,627,639)</b>	<b>(384,427)</b>	-	<b>(5,553,476)</b>
<b>Segment assets</b>	<b>4,926,624</b>	<b>7,072,540</b>	<b>1,301,642</b>	<b>29,213</b>	<b>12,822,367</b>
<b>Segment liabilities</b>	<b>(2,510,223)</b>	<b>(8,847,856)</b>	<b>(58,534)</b>	<b>(42,224)</b>	<b>(11,458,837)</b>
<b>Additions to non-current assets</b>					
Plant & equipment	14,239	10,571	6,634	-	31,444
Exploration & evaluation assets	-	67,722	1,658,084	-	1,727,806
<b>Total additions to non-current assets</b>	<b>14,239</b>	<b>80,293</b>	<b>1,664,718</b>	-	<b>1,759,250</b>

## NOTES TO THE FINANCIAL STATEMENTS

2017	Australia	Peru	Argentina	Brazil	Total
<b>Revenue</b>					
Interest revenue	4,550	-	-	-	4,550
Other income <sup>1</sup>	354,006	27,439	-	-	381,445
<b>Total revenue</b>	<b>358,556</b>	<b>27,439</b>	-	-	<b>385,995</b>

<sup>1</sup> Includes the fair value gain of \$264,500 on financial assets through profit or loss

<b>Results</b>					
Depreciation & amortisation expense	(2,025)	(16,501)	-	-	(18,526)
Share based payments	(41,140)	-	-	-	(41,140)
Interest expense	(45,588)	(2,343)	(1,567)	-	(49,498)
Other expenses	(1,307,225)	(160,867)	(346,040)	-	(1,814,132)
Unwinding of interest	-	(821,314)	-	-	(821,314)
Net foreign exchange gain	(23,352)	-	-	-	(23,352)
	(1,419,330)	(1,001,025)	(347,607)	-	(2,767,962)
<b>Segment loss</b>	<b>(1,060,774)</b>	<b>(973,586)</b>	<b>(347,607)</b>	-	<b>(2,381,967)</b>
<b>Segment assets</b>	<b>2,213,640</b>	<b>7,168,759</b>	<b>3,103,949</b>	<b>31,484</b>	<b>12,517,832</b>
<b>Segment liabilities</b>	<b>(198,211)</b>	<b>(7,082,203)</b>	<b>(27,075)</b>	<b>(45,505)</b>	<b>(7,352,994)</b>
<b>Additions to non-current assets</b>					
Plant & equipment	-	12,929	-	-	12,929
Exploration & evaluation assets	-	452,841	2,170,673	-	2,623,514
<b>Total additions to non-current assets</b>	-	<b>465,770</b>	<b>2,170,673</b>	-	<b>2,636,443</b>

Segment loss represents the loss incurred by each segment without allocation of corporate overhead costs. This is the information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

### 5. OTHER INCOME AND LOSSES

	2018	2017
	\$	\$
Sundry income	179,448	27,926
Profit on sale of shares	133,360	112,371
Loss on sale of exploration project	(1,534,990)	-
Net foreign exchange gain(loss)	(577,518)	(23,352)
	<b>(1,799,700)</b>	<b>116,945</b>

<sup>1</sup> Loss on sale of Ilo Copper project is determined as follow:

Total consideration received	1,297,921	-
Exploration costs	(5,832,911)	-
Less – previously written off	3,000,000	-
<b>Loss on sale of exploration projects</b>	<b>(1,534,990)</b>	-

### 6. EXPENSES

	2018	2017
	\$	\$
<b>(a) Employee benefits expense</b>		
Employee benefits and Director Fees	865,021	449,564
Employee Share based payments (refer note 22)	394,754 <sup>1</sup>	41,140 <sup>1</sup>
	<b>1,259,775</b>	<b>490,704</b>

<sup>1</sup> Out of Employee share based payments of \$555,684 (2017: \$164,557), a portion of \$394,754 (2017: \$41,140) was expensed during the year with the balance being capitalised.

## NOTES TO THE FINANCIAL STATEMENTS

	2018	2017
	\$	\$
<b>(b) Finance expenses</b>		
Bank fees and charges	6,592	8,490
Interest expense	226,162	49,498
Unwinding of the effective interest rate <sup>1</sup>	961,628	821,314
Other finance charges <sup>2</sup>	1,473	3,425
	<b>1,195,855</b>	<b>882,727</b>

<sup>1</sup> Unwinding of the effective interest rate refers to the discounting of the remaining cost of the concessions relating to the Guadalupito project \$961,628 (2016: \$742,306).

<b>(c) Other expenses</b>		
Administration expenses	161,338	106,468
Corporate expenses	814,860	945,184
Net foreign exchange loss	-	268,572
Occupancy expenses	58,002	55,781
	<b>1,034,200</b>	<b>1,376,005</b>

## 7. INCOME TAXES

	2018	2017
	\$	\$
<b>The components of income tax benefit comprise:</b>		
Current income tax benefit	-	-
Deferred income tax benefit		
Income tax benefit reported in the consolidated statement of profit or loss and other comprehensive income	-	-
Income tax expense recognised in equity	-	-
Accounting loss before tax	(5,553,476)	(2,381,967)
At the statutory income tax rate of 27.5% (in Australia and Peru)	(1,527,206)	(655,041)
Other non-deductible expenditure for income tax purposes		(589,653)
R&D tax rebate claim		-
Unrecognised tax losses	1,527,206	1,244,694
Income tax benefit reported in the consolidated statement comprehensive income	-	-
<b>Deferred tax assets</b>		
Carried forward revenue losses - Australia	5,228,501	4,542,919
Carried forward revenue losses - Peru	(2,200,235)	(1,436,394)
Carried forward revenue losses - Brazil	197,776	197,776
Carried forward revenue losses - Argentina	150,589	44,872
Exploration and evaluation assets	34,688	13,485
Provisions and accruals	19,659	(59,465)
Other	515,382	315,577
Gross deferred tax asset	3,946,360	3,618,770
Offset against deferred tax liability	-	-
Unrecognised tax losses	3,946,360	3,618,770
<b>Deferred tax liabilities</b>		
Exploration and evaluation assets	-	-
Plant and equipment	-	-
Gross deferred tax liability	-	-
Offset against deferred tax asset	-	-
Net deferred tax liability	-	-



## NOTES TO THE FINANCIAL STATEMENTS

### 8. EARNINGS PER SHARE

	2018 Cents	2017 Cents
Basic and diluted earnings per share	(0.2)	(0.12)
	\$	\$
Loss used in calculating basic and diluted earnings per share	(5,553,476)	(2,381,967)
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share*	2,720,551,476	1,944,631,751

\* The weighted average number of shares takes into account the weighted average effect of changes in share transactions during the year. At balance date there were 1,017,738,109 (2017: 259,375,000) share options and 65,031,642 (2017: 65,031,642) share rights on issue which were anti-dilutive and therefore excluded from the weighted average number of ordinary shares used in calculating dilutive earnings per share.

### 9. CASH

	2018 \$	2017 \$
<b>(a) Cash and short term deposits</b>		
Cash in hand	309	327
Cash at bank	204,455	995,165
	<b>204,764</b>	<b>995,492</b>

#### (b) Reconciliation of net loss after income tax to net cash flows from operating activities:

Loss for the year	(5,553,476)	(2,381,967)
<i>Adjustments to reconcile loss after tax to net cash flows from operating activities:</i>		
(Gain) on sale of investments	(133,360)	(112,372)
(Gain) on fair value of financial assets through profit and loss	214,500	(264,500)
Loss on sale of Ilo Copper Project	1,534,990	
Depreciation	15,875	18,526
Shares issued to settle creditors	-	25,151
Accrued interest payable	226,162	-
Share of loss attributable to investment in associated companies	34,275	-
Share based payments	394,754	41,140
Net foreign exchange loss/(gain)	577,518	23,352
Unwinding of the effective interest rate	961,628	821,314
<i>Working capital adjustments:</i>		
(Increase)/decrease in trade and other receivables	(505,128)	(85,854)
Increase/(decrease) in trade and other payables	244,393	(61,631)
Increase/(decrease) in provisions for annual leave	19,349	2,890
Net cash flows used in operating activities	<b>(1,968,520)</b>	<b>(1,973,951)</b>

#### Non-cash financing and investing activities

During the year the Company issued 95,294,119 shares to settle liabilities amounting to \$360,000.

Sale proceeds on the sale of the Ilo Copper project were settled by the issue of 19,000,000 Westminster Resources Limited shares valued at \$1,085,489. Share of loss attributable to associate company was \$34,275. There were no other non-cash financing and investing activities.

## NOTES TO THE FINANCIAL STATEMENTS

### 10. TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	\$
<b>(a) Current</b>		
Trade receivables	281,424	52,697
Other receivables	396,877	67,896
Related party receivables	7,822	-
Goods & services tax	16,059	11,953
Prepayments	49,526	8,647
	<b>751,708</b>	<b>141,193</b>

The current trade and other receivables at 31 December 2018 were neither provided for or impaired and are considered fully recoverable.

Other receivables includes collateral shares issued to convertible note holder totalling \$244,722 (2017:\$15,000).

	2018	2017
	\$	\$
<b>(b) Non-Current</b>		
Goods & services tax <sup>1</sup>	<b>1,824,598</b>	<b>1,700,263</b>

<sup>1</sup> The Non-current Goods and services tax/value added tax (GST/VAT) refers to a receivable by the company's subsidiary in Peru which can only be offset against GST/VAT attributable to future sales.

### 11. ASSETS HELD FOR SALE

	2018	2017
	\$	\$
Assets held for sale	-	2,898,233 <sup>1</sup>

<sup>1</sup> Assets held for sale comprised the Group's Peruvian Ilo Copper assets which was concluded during the year.

### 12. OTHER FINANCIAL ASSETS

	2018	2017
	\$	\$
<b>Current Asset</b>		
Security deposits and bonds	43,700	30,110
Shares in listed entities <sup>1</sup>	-	318,500
	<b>43,700</b>	<b>348,610</b>

<sup>1</sup> Shares in listed entities have been fair valued using Level 1 inputs of the fair value hierarchy.

#### Non-current Asset

	2018	2017
	\$	\$
<b>Shares in listed entities</b>		
Associated Company Investment – at cost <sup>1</sup>	1,085,489	-
Less – Equity Share of Associated Company loss	(34,275)	-
	<b>1,051,214</b>	<b>-</b>

<sup>1</sup> Investment in Associate arising from settlement of the sale of the Peru Ilo copper project. At balance date the Company has a 41.02% direct shareholding in the capital of Westminster Resources Limited..

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PLANT AND EQUIPMENT

	2018	2017
	\$	\$
<b>Furniture and equipment</b>		
At cost	210,027	179,319
Less: Accumulated depreciation	(129,653)	(113,778)
	<b>80,374</b>	<b>65,541</b>
<b>Furniture and equipment</b>		
Balance at beginning of period	65,541	76,827
Additions	31,444	12,929
Disposals	-	-
Depreciation expense	(15,875)	(18,526)
Effects of exchange rate movements	(736)	(5,689)
Balance at end of period	<b>80,374</b>	<b>65,541</b>
<b>Net book value</b>	<b>80,374</b>	<b>65,541</b>

### 14. EXPLORATION AND EVALUATION ASSETS

	2018	2017
	\$	\$
Balance at beginning of period	6,368,500	7,842,533
Additions	1,727,806	2,623,514
Transferred to assets held for sale	2,898,233	(2,898,233)
Disposals	(5,832,911)	-
Write-back of impairment in previous years in relation to disposed assets	3,000,000	-
Foreign currency translation movement	704,381	(1,199,314)
Balance at end of period	<b>8,866,009</b>	<b>6,368,500</b>

### 15. TRADE AND OTHER PAYABLES

	2018	2017
	\$	\$
Trade payables	986,697	753,711
Other payables	75,997	60,874
Accruals	37,500	41,216
	<b>1,100,194</b>	<b>855,801</b>

Trade payables are generally 30 day terms from end of month of supply.

### 16. INTEREST BEARING LOANS AND BORROWINGS

	2018	2017
	\$	\$
Convertible Security Funding <sup>1</sup>	2,235,341	-
Loan	-	65,000
	<b>2,235,341</b>	<b>65,000</b>

#### <sup>1</sup> Convertible Security Funding

The Convertible security provides a funding limit of \$6 million and repayable in either cash or shares at the election of the Company. The Facility is for a period of 24 months with a maturity date of 26 June 2020. The convertible note holder has the election of requesting repayment of the original convertible note valued at \$2,000,000 by acquiring a direct 5% interest in the Argentine Projects.

Security for the facility is provided by a general security agreement by the Company in favour of Lind and pledges over all shares in each subsidiary and the Company.

A total of 44,500,000 ordinary fully paid shares (collateral shares) have been issued as to the convertible note holder.

As part of the transaction costs the company issued 110,000,000 listed options exercisable at 1 cent per share expiring 12 October 2019 and 166,666,667 unlisted options exercisable at 0.43 cents per share expiring 18 December 2022.

## NOTES TO THE FINANCIAL STATEMENTS

### 17. DEFERRED CONSIDERATION

	2018	2017
	\$	\$
(a) Current	<u>22,000</u>	<u>22,000</u>
(b) Non-current	<u>8,036,068</u>	<u>6,364,308</u>
<b>TOTAL</b>	<b><u>8,058,068</u></b>	<b><u>6,386,308</u></b>

The deferred consideration balances reflect the current and non-current portions of the present value of the remaining US\$10.0 million (31 December 2017: US\$10.1 million) the Group is required to pay in cash and shares for the acquisition of the concessions relating to the Guadalupe project. The deferred consideration is payable as follows:

#### Share issues

- January 2019 4,000,000 fully paid shares

These shares have not been issued subsequent to balance date as the Company seeks to re-negotiate the payment terms under the Sale Agreement.

#### Cash Payments

- Within 6 months of favourable feasibility study US\$250,000  
 - Within 18 months of favourable feasibility study US\$750,000  
 - Within 30 months of favourable feasibility study US\$1,000,000  
 - Within 42 months of favourable feasibility study US\$2,000,000  
 - Within 54 months of favourable feasibility study US\$6,000,000

The favourable feasibility study is to be published no later than July 2019.

### 18. PROVISIONS

	2018	2017
	\$	\$
Employee benefits – Leave entitlements	<u>65,234</u>	<u>45,885</u>

### 19. CONTRIBUTED EQUITY

	2018	2017
	\$	\$
<b>(a) Issued capital</b>		
Issued shares	<u>45,902,186</u>	<u>46,437,382</u>

#### (b) Movements in issued capital

	Number	\$
<b>Issued shares</b>		
<b>Balance at 1 January 2017</b>	<b>1,577,398,098</b>	<b>42,041,903</b>
Exercise of options	14,054,768	281,095
Deferred rights conversion	7,403,798	-
Placement	213,728,500	1,068,644
Placement	250,000,000	1,000,000
Settlement of creditors	2,522,049	10,401
Placement	428,571,457	1,500,000
Settlement of creditors	1,687,500	6,750
Concession consideration	2,000,000	8,000
Placement	125,000,000	1,000,000
Transaction costs	-	(479,411)
<b>Balance 1 January 2018</b>	<b><u>2,622,366,170</u></b>	<b><u>46,437,382</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

### Movements in issued capital – continued

<b>Balance 1 January 2018</b>	<b>2,622,366,170</b>	<b>46,437,382</b>
Deferred rights conversion	24,510,350	-
Collateral shares <sup>1</sup>	37,000,000	207,222
Convertible Security repayment – October 2018 <sup>2</sup>	26,666,667	120,000
Convertible Security repayment – November 2018 <sup>2</sup>	33,333,334	120,000
Convertible Security repayment – December 2018 <sup>2</sup>	35,294,118	120,000
Collateral shares <sup>3</sup>	7,500,000	22,500
Employee shares <sup>4</sup>	2,000,000	6,000
Loan funded shares <sup>5</sup>	100,000,000	-
Cost of Broker options issues <sup>6</sup>	-	(1,107,143)
Transaction costs	-	(23,775)
	<b>2,888,670,639</b>	<b>45,902,186</b>

<sup>1</sup> Collateral shares issued as security for initial drawdown under Convertible Security Funding Agreement

<sup>2</sup> Repayment of Convertible security Funding in shares at \$120,000 per month.

<sup>3</sup> Collateral shares issued as security for additional drawdown under Convertible Security Funding Agreement.

<sup>4</sup> On 18 December 2018 issued employee shares under Employment Agreement.

<sup>5</sup> Loan funded shares issued to Directors and approved for issue by shareholders at the Annual General Meeting held 28 May 2018.

<sup>6</sup> Valuation of options issued in conjunction with placement issues in October and November 2018 and approved for issue by shareholders at the General Meeting held on 19 February 2018.

### 20. RESERVES

	2018	2017
	\$	\$
<b>(a) Foreign currency translation reserve</b>		
Balance at beginning of year	4,735,348	5,558,345
Foreign currency translations	492,336	(822,997)
Balance at the end of the year	<b>5,227,684</b>	<b>4,735,348</b>
<b>(b) Share based payments reserve</b>		
	2018	2017
	\$	\$
Balance at the beginning of year	2,822,133	2,532,576
Capital raising costs – issue of broker options	1,107,143	125,000
Loan establishment costs	138,201	-
Share based payments	549,684	164,557
Balance at the end of the year	<b>4,617,161</b>	<b>2,822,133</b>
<b>Total reserves</b>	<b>9,844,845</b>	<b>7,557,481</b>

#### Nature and purpose of reserves

##### Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

##### Share based payments reserve

The share based payments reserve is used to recognise the value of equity benefits provided to directors, employees and other parties. Refer Note 22 for further details regarding share based payments.

## NOTES TO THE FINANCIAL STATEMENTS

	Number of options	Weighted average exercise price
<b>Options outstanding</b> (includes share based payment options and non-share based payment options)		
<b>Balance at 1 January 2018</b>	<b>259,375,000</b>	\$0.02
Issued during the year – quoted <sup>1,2,3</sup>	601,071,442	\$0.01
Issued during the year – unquoted	166,666,667	\$0.0043
Options lapsed	(9,375,000)	\$0.008
<b>Balance at 31 December 2018</b>	<b>1,017,738,109</b>	<b>\$0.01</b>

Consisting of:

Quoted options - exercisable at \$0.01 per share expiring 12 October 2019	<b>851,071,442</b>
Unquoted options - exercisable at \$0.0043 cents per share expiring 18 December 2022	<b>166,666,667</b>

<sup>1</sup> 214,285,728 free attaching placement listed options were issued on a 1 for 2 basis in relation to the placement completed in November 2017 and approved for issue by shareholders in general meeting held on 19 February 2018.

<sup>2</sup> 276,785,714 free listed options were issued to brokers of the October 2017 and November 2017 placements for capital raising services provided and approved for issue by shareholders in general meeting held on 19 February 20018.

<sup>3</sup> 110,000,000 listed options granted to the convertible note holder.

### SHARE BASED PAYMENTS RESERVE

The share based payments reserve is used to recognise the value of equity benefits provided to directors, employees and other parties. Refer Note 22 for further details regarding share based payments.

### 21. ACCUMULATED LOSSES

	2018 \$	2017 \$
Balance at the beginning of the year	(48,830,025)	(46,448,058)
Loss after income tax	(5,553,476)	(2,381,967)
Balance at the end of the year	<b>(54,383,501)</b>	<b>(48,830,025)</b>

### 22. SHARE BASED PAYMENTS

	2018 \$\$	2017 \$
<b>Expenses arising from share based payment transactions to key management personnel</b>		
Employee share benefits payments	555,684	164,557

Employee share based payments benefits totalled \$555,684, of which \$394,754 was expensed during the year with the balance being capitalised.

#### (a) Share rights

##### *Incentive rights plan*

The Incentive rights plan was approved by shareholders on 30 November 2012 for the purpose of attracting, motivating and retaining key employees and providing them with the opportunity to participate in the future growth of the Group.

Under the plan the Group may offer share rights to eligible persons. Executive directors and full time and permanent part time employees are eligible persons for the purposes of the Incentive rights plan.

Share rights issued under the Incentive rights plan comprise of retention rights being rights that vest and may be exercised into Restricted Shares, based on completion of a period of service and performance rights, being rights that vest and may be exercised into Restricted Shares, based on achievement of specified performance objectives.

The Board, based on the recommendation of the Remuneration Committee, in their absolute discretion determine

## NOTES TO THE FINANCIAL STATEMENTS

the number of share rights to be offered and any performance criteria that may apply. Offers made under the Incentive rights plan must set out the number of share rights, the vesting conditions and the measurement period.

The retention and performance rights are issued for no consideration, however, the vesting of the benefits are conditional on achieving specific measurable performance measures that are aligned with the Group's strategic objectives.

Vesting of the share rights is measured over a three year interval after the commencement of the respective measurement period. At the end of the measurement period and subject to the performance measures and each share right will convert into one ordinary share in the Company.

Where a director or employee ceases employment prior to their incentives vesting due to resignation or termination for cause, incentives will be forfeited. Where a director or employee ceases employment for any other reason, they may at the Board's discretion, retain a number of unvested share rights on a pro-rata basis to reflect their period of service during the measurement period. These unvested shares only vest subject to meeting the relevant performance measures.

### ***Non-executive Director Deferred rights plan***

The Deferred rights plan was approved by shareholders on 27 May 2014 for the purpose of retaining Non-executive directors, controlling the cash cost of directors fees and aligning the interests of Non-executive directors with shareholders and providing them with the opportunity to participate in the future growth of the Group.

Under the plan the Group may offer share rights to Non-executive directors of the Company. Share rights issued under the Deferred rights plan comprise of retention rights being rights that vest and may be exercised into Restricted Shares, based on completion of a period of service.

The Board based on the recommendation of the Remuneration Committee in their absolute discretion determine the number of share rights to be offered and the criteria that may apply. Offers made under the Deferred rights plan must set out the number of share rights, the vesting conditions and the measurement period.

The retention rights are issued for no consideration, however, the vesting of the benefits are conditional on achieving certain measurable performance measures.

Vesting of the share rights is measured over a three year interval after the commencement of the respective measurement period. At the end of the measurement period and subject to the performance measures and the share rights will convert into one ordinary share in the Company.

Where a non-executive director ceases employment prior to their incentives vesting due to resignation or termination for cause, incentives will be forfeited. Where a non-executive director ceases employment for any other reason, they may at the Board's discretion, retain a number of unvested share options on a pro-rata basis to reflect their period of service during the measurement period. These unvested shares only vest subject to meeting the relevant performance measures.

### **Share rights outstanding**

There were 65,031,642 share rights outstanding as at 31 December 2018 (2017: 65,031,642). 11,993,347, share rights vest on 31 October 2019 and 53,038,295 which have a vesting date of 31 October 2019.

As at the 31 March 2019, there were 11,993,347 share rights outstanding.

## NOTES TO THE FINANCIAL STATEMENTS

### Valuation of Share Rights (Retention and performance)

Issued to	Directors
Grant date	19 February 2018
Expiry date	19 February 2021
Quantity	21,352,308 <sup>1</sup>
Exercise price	-
Consideration	-
Fair value at grant date	\$0.01024
10 day VWAP at grant date	\$0.01024
Discount	10%
Maximum life	3 Years

<sup>1</sup>Of the share rights issued, 4,569,231 were performance rights which have been assessed by management to have a 25% probability of achievement.

### *Shares issued as share based payments*

#### Loan Funded shares

At the Annual General Meeting held 28 May 2018, shareholders approved the adoption of the Latin Resources Limited Loan Funded Share Plan and also approved the issue of 100,000,000 loan funded shares to directors. The loan funded shares are issued at 1.1 cents per share. The loans are interest free and with limited recourse to the participant and are unquoted shares until the loan has been paid. The Plan requires the loan to be repaid before the participant can sell their shares

Loan funded shares with market based vesting conditions are also valued at the 10 day VWAP share price prior to the grant date however a 20% discount is applied to the valuation to take into account the likelihood of meeting any market based vesting conditions.

#### Valuation of Loan Funded Shares

The model inputs for loan funded shares issued during the year ended 31 December 2018 are as follows:

Issued to	Directors
Grant date	28 May 2018
Expiry date	28 May 2020
Quantity	100,000,000
Exercise price	\$0.011
Volatility	60%
Fair value at grant date	\$ 0.00141
Share price at grant date	\$0.0007
Maximum life	2 Years

#### (b) Options

##### *Valuation of Options to Brokers and Convertible Note Holder*

No options were issued to key management personnel during the year.

276,785,714 quoted options were valued at the market price of \$0.004 on the grant date of 19 February 2018 (refer Note 21(b)). 110,000,000 listed options issued to the convertible note holder valued at the market price of \$0.001 on the grant date of 26 June 2018.

166,666,667 unquoted options were valued using Black and Scholes valuation pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations.



## NOTES TO THE FINANCIAL STATEMENTS

Input variables	31 Dec 2018	31 Dec 2017
Grant date share price	\$0.004	-
Exercise price	\$0.0043	-
Expected volatility	5%	-
Risk-free interest rate	1.93%	-
Option life	4 Years	-
Grant date	18 December 2018	-
Expiry date	18 December 2022	-
Fair value at grant date	\$0.00017	-

### 23. RELATED PARTY DISCLOSURES

Information regarding individual directors' and executives' compensation and equity instrument disclosures are disclosed in the Remuneration report.

	2018	2017
	\$	\$
<b>(a) Compensation of directors and other key management personnel</b>		
Short term employee benefits	824,783	933,583
Post-employment benefits	6,206	-
Share based payments	513,680	164,557
	<b>1,344,669</b>	<b>1,098,140</b>

#### (b) Transactions with related parties

Bowen Buchbinder Vilensky, a related party of Mr David Vilensky, charged fees totalling \$44,000 (exclusive of GST) for the year ended 31 December 2018 in relation to legal fees.

Ozinca Limited, a related party of Mr Chris Gale, was charged \$59,585 for the year ended 31 December 2018 for office, secretarial services and motor vehicle hire provided by a subsidiary. At balance date an amount of \$67,008 was payable to a subsidiary company by Ozinca.

Westminster Resources Limited, an associated company, was charged \$116,652 for the year ended 31 December 2018 for office and secretarial services provided by a subsidiary. At balance date an amount of \$192,321 was payable to a subsidiary company by Westminster.

#### (c) Subsidiaries

The consolidated financial statements include the financial statements of Latin Resources Limited and its subsidiaries which are listed below.

Name of entity	Country of incorporation	Equity holding	
		2018	2017
		%	%
Peruvian Latin Resources Limited SAC (PLR)	Peru	100	100
Minera Dylan SAC (MD)	Peru	100	100
Mineracao Ferro Nordeste Ltda (MFN)	Brazil	100	100
Recursos Latinos S.A.	Argentina	100	100
Associated Company			
Westminster Resources Limited	Canada	41.02%	-

Peruvian Latin Resources Limited SAC (PLR) and Mineracao Ferro Nordeste Ltda (MFN) are effectively 100% owned by the Company through 99.9% of shares held directly and 0.1% of shares are held in trust on behalf of the Company. Minera Dylan SAC is 50% each owned by the Company and PLR.

The Company has advanced funds to Recursos Latinos S.A., PLR and MFN which at the date of this report do not attract interest and are not subject to a repayment schedule.

#### (d) Ultimate parent company

Latin Resources Limited is the ultimate parent of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### 24. COMMITMENTS

	2018	2017
	\$	\$
<b>Operating lease commitments:</b>		
Not later than one year	170,247	220,563
Later than one year but not later than five years	-	-
Later than five years	-	-
	<b>170,247</b>	<b>220,563</b>

### 25. CONTINGENCIES

#### **Guadalupito project – Royalty obligation**

On February 8, 2011, Peruvian Latin Resources SAC (PLR) signed an Acquisition Agreement with 14 different vendor companies (Vendors) all with a common principal shareholder to acquire additional mining concessions for its Guadalupito project.

The Acquisition Agreement requires PLR to pay the Vendors a net smelting royalty of 1.5% which is calculated on all extracted and commercialised minerals from the New concessions. The royalty is payable once commercial mining operations have been initiated and mineral products are produced, at an average rate of not less than 70% of the normal capacity of the mining facilities.

### 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group also has transactional currency exposures from operating costs and concession payments that are denominated in currencies other than the Australian dollar (AUD). The currencies in which these transactions are primarily denominated are the United States dollar (USD).

The Board attempts to mitigate the effect of its foreign currency exposure by acquiring USD in accordance with budgeted expenditures when the exchange rate is favourable. Where possible receipts of USD are maintained in a USD account as a natural hedge. The USD are converted to AUD at prevailing rates as AUD funds are required.

As at 31 December 2018, the Group had the following exposure to USD that is not designated in cash flow hedges:

	2018	2017
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	30,645	855,093
Trade and other receivables	2,233,758	1,782,467
Other financial assets	-	6,410
	<b>2,264,403</b>	<b>2,643,970</b>
<b>Financial liabilities</b>		
Trade and other payables	(838,346)	(711,944)
Provisions	(52,203)	(39,850)
Deferred consideration <sup>1</sup>	(8,058,068)	(6,386,308)
	<b>(8,948,617)</b>	<b>(7,138,102)</b>
<b>Net exposure</b>	<b>(6,684,214)</b>	<b>(4,494,132)</b>

<sup>1</sup> As at 31 December 2018, the Group has an obligation to pay US\$10.0 million (2017: US\$10.1 million) in various instalments by 1 January 2024. The liability is recognised in the Group's subsidiary in Peru whose functional currency is US dollars.

The following sensitivity analysis is based on the judgements by management of reasonably possible movements in foreign exchange rates after consideration of the views of market commentators. The sensitivity is also based on foreign currency risk exposures to financial asset and liability balances as at 31 December 2018.

The following tables demonstrate the sensitivity to a reasonably possible change in the AUD/USD exchange rate with all other variables held constant.

The impact on the Group's pre-tax profit is due to changes in the fair value of monetary assets and liabilities. The impact on the Group's equity is due to changes in the fair value of the deferred consideration.

The Group's exposure for all other currencies is not material.

## NOTES TO THE FINANCIAL STATEMENTS

	Effect on loss before tax	Effect on equity
	\$	\$
<b>31 December 2018</b>		
AUD/USD +10%	137,385	189,194
AUD/USD -10%	(137,385)	(189,194)
<b>31 December 2017</b>		
AUD/USD +10%	805,807	638,631
AUD/USD -10%	(805,807)	(638,631)

The movement in pre-tax profit is a result of changes to the fair value of monetary assets and liabilities denominated in USD.

The deferred consideration liability is recognised in the Group's subsidiary in Peru whose functional currency is US dollars. Hence the sensitivity of deferred consideration is recognised in equity. The sensitivity is measured based on the carrying amount of the liabilities rather than the contractual cash outflows up to 1 January 2024.

Apart from the above exposure to AUD/USD exchange rate, the Group also has an investment in listed securities listed on the TSXV and denominated in Canadian dollars (CAD). At 31 December 2018 this investment was valued at \$1,051,214. A 10% movement in the AUD /CAD would result in the investment carrying value increasing/decreasing by \$105,121.

### (a) Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Group is exposed to interest rate risk on its cash and cash equivalent balances.

The Board constantly monitors its interest rate exposure and attempts to maximise interest income by using a mixture of fixed and variable interest rates, whilst ensuring sufficient funds are available for the Group's operating activities. As at 31 December 2018 the Group had the following exposure to Australian variable interest rate risk.

The convertible security funding effective interest rate is determined on the uplift of 20% of drawn values and the associated transactions costs. Therefore the impact of prevailing market interest rate risk is minimal.

	2018	2017
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	<b>204,744</b>	<b>999,165</b>
Convertible Security Funding	<b>2,235,341</b>	-

Movement of 50 basis points on the interest rate (considered a reasonably possible change) would not have a material impact on the consolidated loss or equity.

### (b) Credit risk

Credit risk is the risk to the Group if a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group's maximum exposure to credit risk at the reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Consolidated Statement of Financial Position.

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents (refer Note 9(a)) and trade and other receivables (refer Note 10(a) and (b)) and investment in associates (refer Note 12).

The Group only trades with recognised creditworthy third parties. The Group only invests in high credit quality financial institutions with a credit rating of investment grade or better.

## NOTES TO THE FINANCIAL STATEMENTS

<b>31 December 2018</b>	<b>Less than 1 month \$</b>	<b>1-3 months \$</b>	<b>3-12 months \$</b>	<b>1-5 years \$</b>	<b>5+ years \$</b>	<b>Total \$</b>
Trade and other payables	1,100,194	-	-	-	-	1,100,194
Interest bearing liabilities	120,000	276,000	1,404,000	435,341	-	2,235,341
Deferred consideration	-	-	22,000	14,168,320	-	14,19,0320
	<b>1,220,194</b>	<b>276,000</b>	<b>1,426,000</b>	<b>14,603,661</b>	<b>-</b>	<b>17,525,855</b>

<b>31 December 2017</b>	<b>Less than 1 month \$</b>	<b>1-3 months \$</b>	<b>3-12 months \$</b>	<b>1-5 years \$</b>	<b>5+ years \$</b>	<b>Total \$</b>
Trade and other payables	641,699	-	214,102	-	-	855,801
Interest bearing liabilities	65,000	-	-	-	-	65,000
Deferred consideration	-	-	-	2,564,103	10,256,410	12,820,513
	<b>706,699</b>	<b>-</b>	<b>214,102</b>	<b>2,564,103</b>	<b>10,256,410</b>	<b>13,741,314</b>

### (c) Price risk

The Group is exposed to equity securities price risk. This arises from investments held and classified on the statement of financial position as at fair value through profit or loss. The Group is not exposed to commodity price risk.

The Group's equity investment is publicly traded on the Australian Securities Exchange (ASX).

A movement of 10% in the fair value of financial assets at fair value through profit and loss (considered a reasonably possible change) on the Group's post tax loss for the year and on equity would not have been material.

### (d) Capital management

The Board is responsible for capital management of the Group. The Board's objective is to ensure the entity continues as a going concern as well as to maintain an optimal structure to reduce the cost of capital.

The Group is dependent from time to time on its ability to raise capital from the issue of new shares, obtain debt and its ability to realise value from its existing assets. This involves the use of cashflow forecasts to determine future capital management requirements.

Capital management is undertaken to ensure a secure, cost effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements.

As at 31 December 2018 the Group is not subject to any external capital requirements.

## 27. EVENTS AFTER THE REPORTING PERIOD

The Company has made repayments under the Convertible Security Funding Agreement as follow-

- On 8 January 2019 the Company issued 44,444,445 fully paid ordinary shares in repayment of A\$120,000,
- On 7 February 2019 the Company issued 60,000,000 fully paid ordinary shares in repayment of A\$120,000,
- On 7 March 2019 the Company issued 70,588,236 fully paid ordinary shares in repayment of A\$120,000,
- On 22 March 2019 the Company issued 22,500,000 fully paid ordinary shares in repayment of A\$36,000.

On 31 January 2019, the Company announced a Share Purchase Plan (SPP) offer to raise a total of \$1,000,000 of fully paid ordinary shares issued at \$0.002 per share. Funds raised were to bolster the Company's working capital, maintain a strong net cash position and to fund exploration. The SPP closed on 7 March 2019 with the issue of 261,550,000 fully paid ordinary shares to raise \$523,100. The Company intends to place the shortfall of \$476,900 on the same terms as the SPP with sophisticated investors.

On 7 February 2019 the Company issued 16,000,000 fully paid ordinary shares in payment of European representation services for a value EUR18,000.

On 6 March 2019 the Company provided an update on recent visits to Argentina by the Chairman and Managing Director including meeting with various government officials and a presentation given to the San Luis Mining Directorate.

## NOTES TO THE FINANCIAL STATEMENTS

### 28. AUDITOR'S REMUNERATION

	2018	2017
	\$	\$
<b>Amounts received or due and receivable by the auditor for:</b>		
An audit or review of the financial report of the consolidated group	49,132	43,099
<b>Amounts received or due and receivable by related practices of the auditor for:</b>		
An audit or review of the financial report of the consolidated group	-	-
Other services in relation to the consolidated group	-	4,000
	<u>49,132</u>	<u>4,000</u>
<b>Amounts received or due and receivable by non-related practices of the auditor for:</b>		
An audit or review of the financial report of the consolidated group	-	-
	<u><b>49,132</b></u>	<u><b>47,099</b></u>

### 29. PARENT ENTITY INFORMATION

	2018	2017
	\$	\$
<b>(a) Financial position</b>		
<b>Assets</b>		
Current assets	560,368	1,308,443
Non-current assets	9,449,886	13,287,448
<b>Total assets (i)</b>	<u><b>10,010,254</b></u>	<u><b>14,595,891</b></u>
<b>Liabilities</b>		
Current liabilities (ii)	2,510,224	214,655
Non-current liabilities	-	-
	<u>2,510,224</u>	<u><b>214,655</b></u>
<b>Net assets</b>	<u><b>7,500,030</b></u>	<u><b>14,381,236</b></u>
<b>Equity</b>		
Contributed equity	45,902,186	46,437,382
Reserves	4,617,157	2,822,134
Accumulated losses	(43,019,313)	(34,878,280)
	<u><b>7,500,030</b></u>	<u><b>14,381,236</b></u>
<b>(i) Assets</b>		
Balance per parent company	<b>10,010,254</b>	14,595,891
Provision for intercompany loans and consolidation entry	(5,083,630)	(12,382,251)
Balance per operating segment note (Note 4)	<u><b>4,926,624</b></u>	<u><b>2,213,640</b></u>
<b>(ii) Liabilities</b>		
Balance per parent company	2,510,224	214,655
Movement relating to mineral projects (inter-company)	-	(16,444)
Balance per operating segment note (Note 4)	<u><b>2,510,224</b></u>	<u><b>198,211</b></u>
<b>(b) Financial performance</b>		
(Loss)/Profit of the parent entity (i)	<u><b>(8,141,035)</b></u>	<u><b>(3,182,452)</b></u>
Total comprehensive profit/(loss) of the parent entity	<u><b>(8,141,035)</b></u>	<u><b>(3,182,452)</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

### (i) (Loss)/Profit for the year

(Loss)/Profit per parent company	(8,141,035)	(3,182,452)
Provision for intercompany loans and consolidation entry	5,599,625	2,121,678
Balance per operating segment note (Note 4)	<b>(2,541,410)</b>	<b>(1,060,774)</b>

### (c) Contingencies and commitments

#### *Operating lease commitments:*

Not later than one year	160,100	211,382
Later than one year but not later than five years	-	-
	<b>160,100</b>	<b>211,382</b>

## DIRECTORS' DECLARATION

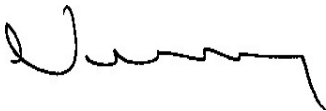
In accordance with a resolution of the directors of Latin Resources Limited, I state that:

1. In the opinion of the directors:

- (a) The financial statements and notes of Latin Resources Limited for the financial year ended 31 December 2018 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 31 December 2018 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards, as stated in note 2(b); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2018.

On behalf of the Directors



**David Vilensky**  
**Chairman**

Signed on 31 March 2019

29 March 2019

Board of Directors  
Latin Resources Limited  
Unit 3, 32 Harrogate Street  
West Leederville, WA 6007

Dear Sirs

**RE: LATIN RESOURCES 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 Resources Limited.

As Audit Director for the audit of the financial statements of Latin Resources Limited for the financial year ended 31 December 2018, 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 audit;  
and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully,

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



**Martin Michalik**  
**Director**



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

**Report on the Audit of the Financial Report**

***Qualified Opinion***

We have audited the financial report of Latin Resources Limited, the Company and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

***Basis for Qualified Opinion***

Whilst we are not aware of any inaccuracy in relation to the \$2,235,341 Convertible Security Funding balance disclosed in the financial statements, we have not received an independent confirmation from the lender as at 31 December 2018. Accordingly, we were unable to satisfy ourselves on the completeness and accuracy of the balance outstanding as at 31 December 2018.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

***Emphasis of Matter***

***Material Uncertainty Regarding Going Concern, Carrying Value of Exploration and Evaluation Assets and Recoverability of the Peruvian GST Receivable***

We draw attention to Note 2(g), Note 14 and Note 10(b) of the financial report, which describe the going concern basis of preparation of the financial report, the carrying value of the Peruvian GST and the exploration and evaluation assets respectively.

As referred to in Note 2(g) to the financial statements, the financial statements have been prepared on a going concern basis. As at 31 December 2018, the Group had working capital deficiency of \$2,422,597 and had incurred a loss for the year of \$5,553,476. The ability of the Group to continue as a going concern is subject to the successful recapitalisation of the Group, commencement of

profitable operations or sale of the underlying projects. In the event that the Board is not successful in recapitalising the Group and in raising further funds, the Group 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.

As referred to in Note 14 and Note 10(b) respectively, the recoverability of the Group's carrying value of exploration and evaluation assets of \$8,866,009 and GST receivable of \$1,824,598 in its subsidiary in Peru is dependent on the successful commercial exploitation of the exploration and evaluation assets and/or sale of those assets at amounts in excess of the book values. In the event that the Group is not successful in commercial exploitation and/or sale of the exploration and evaluation assets, the realisable value of the Group's assets including GST receivable in Peru may be significantly less than their current carrying values.

Our opinion is not modified in respect of these matters.

### **Key Audit Matters**

In addition to the matters described in the Emphasis of Matter paragraphs, we have defined the matters described below to be key audit matters to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
<p><b><i>Issued Capital and Share Based Payments</i></b></p> <p>The Group's Contributed Equity, amounted to \$45,902,186 at 31 December 2018. During the year, this increased by the issuance of 166,304,469 ordinary shares through placements, the issue and exercise of options, conversions of share rights, settlement of liabilities and settlement of brokerage fees to raise \$595,722 before costs. In addition, the Company issued 100,000,000 loan-funded shares to directors. Capital raising costs, which included fair value of options issued to brokers, amounted to \$1,130,916, resulting in a net decrease in the Contributed Equity compared to last year.</p> <p>Issued Capital and Share based payments are key audit matters due to:</p> <ul style="list-style-type: none"> <li>▪ the quantum of transactions having been effected during the year; and</li> <li>▪ the complexities involved in recognition and measurement of these instruments.</li> <li>▪ the judgement required in the application of AASB 2 <i>Share-Based Payment</i>.</li> </ul> <p>We have spent significant audit effort on ensuring the issued capital was appropriately accounted for and that other share-based payments were appropriately valued and accounted for in accordance with AASB 2 <i>Share-Based Payments</i> (AASB 2).</p>	<p>Inter alia, our audit procedures included the following:</p> <ol style="list-style-type: none"> <li>i. Obtained an understanding of the underlying transactions;</li> <li>ii. For share placements, traced funds raised to bank statements and other relevant supporting documentation;</li> <li>iii. Audited the option valuations and assessed the assumptions used;</li> <li>iv. Checked that the fair-value of share rights are appropriately charged over the vesting period and allocated to expenses or capitalised exploration and evaluation expenditure as appropriate, in accordance with AASB 2; and</li> <li>v. Discussed with management the requirements of the relevant accounting standards and need for disclosures to achieve fair presentation and reviewed the financial statements to ensure appropriate disclosures are made.</li> </ol>

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Report**

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Remuneration Report**

### ***Opinion on the Remuneration Report***

We have audited the Remuneration Report included in pages 8 to 16 of the directors' report for the year ended 31 December 2018.

In our opinion the Remuneration Report of Latin Resources Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

### ***Responsibilities***

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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

*Stantons International Audit & Consulting Pty Ltd*



**Martin Michalik**  
Director

West Perth, Western Australia  
31 March 2019

## ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below. The information was applicable as at 28 March 2019.

### Class of equity securities and voting rights

#### SHARES

There were 3,363,753,320 ordinary fully paid shares on issue. All issued ordinary shares carry one vote per share.

There were also 100,000,000 unquoted ordinary loan funded shares on issue.

#### SHARE RIGHTS

There were share rights over 11,993,347 unissued shares. There are no voting rights attached to the share rights however voting rights are attached to the unissued shares once all the share rights vesting criteria are met.

#### OPTIONS

The Company has the following classes of options on issue at 28 March 2019 as detailed below. Options do not carry any rights to vote.

Code	Class	Terms	Number
LRSOB	Listed	Exercisable at \$0.01 each and expiring on 12 October 2019	851,071,442
LRSAY (b)	Unlisted	Exercisable at \$0.0043 each and expiring on 18 December 2022	166,666,667

#### VOTING RIGHTS

In accordance with the Company's Constitution:

- on a show of hands every shareholder present in person or by proxy, attorney or representative of a shareholder has one vote and
- on a poll every shareholder present in person or by proxy, attorney or representative of a shareholder has in respect of fully paid shares, one vote for every share held. No class of option holder has a right to vote, however the shares issued upon exercise of options will rank parri passu with the then existing issued fully paid ordinary shares.

### Distribution of equity securities

THE NUMBER OF EQUITY HOLDERS BY SIZE AND HOLDING, IN EACH CLASS ARE:

Range	Ordinary shares (listed)	Share rights (unlisted)	Loan funded shares (unquoted)	Options (listed)	Options (unlisted)
1 – 1,000	137	-	-	-	-
1,001 – 5,000	46	-	-	-	-
5,001 – 10,000	66	-	-	-	-
10,001 – 100,000	1,235	-	-	3	-
100,001 and over	2,107	4	4	185	1
<b>Total</b>	<b>3,591</b>	<b>4</b>	<b>4</b>	<b>188</b>	<b>1</b>

#### HOLDING LESS THAN A MARKETABLE PARCEL

	<b>2,111</b>	-	-	<b>44</b>	-
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#### RESTRICTED SECURITIES

The Company has no Restricted Securities on issue.

### Substantial shareholders

The substantial shareholders in the Company, as disclosed in substantial shareholding notices given to the company are:

Shareholder	No. of Shares Held	% Held
Not applicable	-	-

## ASX ADDITIONAL INFORMATION

### Twenty largest holders of quoted shares

<i>Rank</i>	<i>Shareholder</i>	<i>No. of Shares Held</i>	<i>% Held</i>
1.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	456,107,887	13.56
2.	LIND ASSET MANAGEMENT XII LLC	78,088,236	2.32
3.	MR ROBERT VEITCH + MRS ELAINE VEITCH <VEITCH SUPER FUND A/C>	61,873,615	1.84
4.	CHRIS GALE + STEPHANIE GALE <THE GALE SUPER FUND A/C>	55,266,970	1.64
5.	MR VESA ANDREW SAARIO	45,724,811	1.36
6.	COILENS CORPORATIONS PTY LTD	40,059,136	1.19
7.	BUBEVICH INVESTMENTS PTY LTD <BUBEVICH FAMILY A/C>	31,000,000	0.92
8.	JUNEFIELD HIGH VALUE METALS INVESTMENTS LIMITED	30,699,323	0.91
9.	ELMER MOISES ROSALES CASTILLO	28,302,055	0.84
10.	UNRANDOM PTY LTD <UNRANDOM A/C>	25,000,000	0.74
11.	CITICORP NOMINEES PTY LIMITED	23,035,349	0.68
12.	MOONAH CAPITAL PTY LTD	23,000,000	0.68
13.	VONETTA PTY LTD <TRBC S/F A/C>	22,705,427	0.68
14.	HYDRONOMEES PTY LTD <HYDRO-CHEM S/F A/C>	22,193,565	0.66
15.	DEMPSEY RESOURCES PTY LTD	20,622,129	0.61
16.	MR NIDHISH HUKAMICHAND BHANDARI + MRS REENA RADHIKA BHANDARI <ARAN SUPERFUND A/C>	20,000,000	0.60
17.	MR GARRY CROLE	20,000,000	0.60
18.	PARD INVESTMENTS PTY LTD <PARD SUPER FUND A/C>	20,000,000	0.60
19.	MR PHILLIP MARK ANDRISKE	19,541,603	0.58
20.	MR KENNETH ROY GILBERT	19,500,000	0.58
<b>Total</b>		<b>1,062,720,106</b>	<b>31.59</b>

### Twenty largest holders of quoted options

<i>Rank</i>	<i>Shareholder</i>	<i>No. of Options Held</i>	<i>% Held</i>
1.	SHAPE WEALTH PTY LTD	110,425,000	12.97
2.	CITICORP NOMINEES PTY LIMITED	110,000,000	12.93
3.	MR ROBERT VEITCH + MRS ELAINE VEITCH <VEITCH SUPER FUND A/C>	37,705,000	4.43
4.	PAC PARTNERS PTY LTD	37,579,333	4.41
5.	ZENIX NOMINEES PTY LTD	35,714,286	4.20
6.	MR ROBERT ANDREW VEITCH + MRS ELAINE VEITCH <VEITCH SUPERANNUATION FU A/C>	33,082,445	3.89
7.	MR CRAIG RUSSELL STRANGER	32,917,667	3.87
8.	MRS BROOKE LAUREN PICKEN	32,292,166	3.79
9.	MR PHILLIP MARK ANDRISKE	24,996,300	2.94
10.	MR ANDREW VEITCH + MRS SAMANTHA VEITCH <A & S VEITCH FAMILY S/F A/C>	19,000,000	2.23
11.	SEQUOIA GROUP HOLDINGS PTY LTD	18,750,000	2.20
12.	OCEAN VIEW WA PTY LTD	15,000,000	1.76
13.	MR PRADEEP ARUNDAVARAJA	14,376,835	1.69
14.	MR GREGORY JOHN HUNTER	11,000,000	1.29
15.	DEMASIADO PTY LTD <DEMASIADO FAMILY A/C>	10,000,000	1.18
16.	MOONAH CAPITAL PTY LTD	10,000,000	1.18
17.	SOLEQUEST PTY LTD	10,000,000	1.18
18.	TWENTY TEN ENTERPRISES PTY LTD <TWENTY TEN INVESTMENTS A/C>	10,000,000	1.18
19.	MR PHILLIP MARK ANDRISKE	8,450,000	0.99
20.	MR BENJAMIN JOHN ROSSI	7,610,000	0.89
<b>Total</b>		<b>588,899,032</b>	<b>69.20</b>

## TENEMENT SCHEDULE

### PERU

AUXILIADORA II	01-00586-07	Peru	100%	Concession
GIANDERI XXXIII	01-01560-06	Peru	100%	Title in the name of PLR is pending
MACARENA XXII	01-00588-07	Peru	100%	Title in the name of PLR is pending
SAN FRANCISCO XXIII	63-00026-10	Peru	100%	Concession
SANTA XIX	01.00590-07	Peru	100%	Concession
SANTA XVIII	63-00041-09	Peru	100%	Concession
SANTA XX	63-00042-09	Peru	100%	Concession
SANTA XXIII	01-00595-07	Peru	100%	Concession
BLACKBURN 10	01-02897-12	Peru	100%	Concession
BLACKBURN 12	01-02899-12	Peru	100%	Concession
BLACKBURN 13	01-03176-12	Peru	100%	Concession
BLACKBURN 15	01-03179-12	Peru	100%	Concession
BLACKBURN 7	01-02850-12	Peru	100%	Concession
BLACKBURN 8	01-02895-12	Peru	100%	Concession
BLACKBURN 9	01-02896-12	Peru	100%	Concession
LOS CONCHALES	01-02590-12	Peru	100%	Concession
MATHEW 2	01.01635-11	Peru	100%	Concession
LATIN ILO ESTE I <sup>1</sup>	01-05005-08	Peru	41.02%	Concession
LATIN ILO ESTE II <sup>1</sup>	01-05003-08	Peru	41.02%	Concession
LATIN ILO ESTE III <sup>1</sup>	01-05001-08	Peru	41.02%	Concession
LATIN ILO ESTE IV <sup>1</sup>	01-05007-08	Peru	41.02%	Concession
LATIN ILO ESTE IX <sup>1</sup>	01-01952-14	Peru	41.02%	Concession
LATIN ILO ESTE V <sup>1</sup>	01.05008-08	Peru	41.02%	Concession
LATIN ILO ESTE VI <sup>1</sup>	01-05009-08	Peru	41.02%	Concession
LATIN ILO ESTE VII <sup>1</sup>	01-00335-10	Peru	41.02%	Concession
LATIN ILO NORTE 3 <sup>1</sup>	01-00830-09	Peru	41.02%	Concession
LATIN ILO NORTE 4 <sup>1</sup>	01-00831-09	Peru	41.02%	Concession
LATIN ILO NORTE 5 <sup>1</sup>	01-02510-09	Peru	41.02%	Concession
LATIN ILO NORTE 6 <sup>1</sup>	01-02511-09	Peru	41.02%	Concession
BRIDGETTE 1 <sup>1</sup>	01-01844-11	Peru	41.02%	Concession
ESSENDON 10 <sup>1</sup>	01-02249-10	Peru	41.02%	Concession
ESSENDON 14 <sup>1</sup>	01-01824-11	Peru	41.02%	Concession
ESSENDON 21 <sup>1</sup>	01-01841-11	Peru	41.02%	Concession
ESSENDON 26 <sup>1</sup>	01-01849-11	Peru	41.02%	Concession
ESSENDON 4 <sup>1</sup>	01-01897-10	Peru	41.02%	Concession
ESSENDON 5 <sup>1</sup>	01-01898-10	Peru	41.02%	Concession
ESSENDON 6 <sup>1</sup>	01-01899-10	Peru	41.02%	Concession
ESSENDON 7 <sup>1</sup>	01-02246-10	Peru	41.02%	Concession
ESSENDON 8 <sup>1</sup>	01-02247-10	Peru	41.02%	Concession
ESSENDON 9 <sup>1</sup>	01-02248-10	Peru	41.02%	Concession
LATIN ILO NORTE 7 <sup>1</sup>	01-02512-09	Peru	41.02%	Concession
LATIN ILO NORTE 8 <sup>1</sup>	01-02513-09	Peru	41.02%	Concession
MADDISON 1 <sup>1</sup>	01-01845-11	Peru	41.02%	Concession
RYAN 1 <sup>1</sup>	01-01843-11	Peru	41.02%	Concession

## TENEMENT SCHEDULE

DOCKERS 1	01-01865-11	Peru	41.02%	Concession
DOCKERS 2 <sup>2</sup>	01-01866-11	Peru	41.02%	Concession
DOCKERS 3 <sup>2</sup>	01-01867-11	Peru	41.02%	Concession
DOCKERS 4 <sup>2</sup>	01-01868-11	Peru	41.02%	Concession
FLEMANTLE 16 <sup>1</sup>	01-02431-10	Peru	41.02%	Concession
FREMANTLE 1 <sup>1</sup>	01-02062-10	Peru	41.02%	Concession
FREMANTLE 10 <sup>1</sup>	01-02425-10	Peru	41.02%	Concession
FREMANTLE 11 <sup>1</sup>	01-02426-10	Peru	41.02%	Concession
FREMANTLE 14 <sup>1</sup>	01-02429-10	Peru	41.02%	Concession
FREMANTLE 18 <sup>1</sup>	01-02433-10	Peru	41.02%	Concession
FREMANTLE 2 <sup>1</sup>	01-02063-10	Peru	41.02%	Concession
FREMANTLE 22 <sup>1</sup>	01-01831-11	Peru	41.02%	Concession
FREMANTLE 29 <sup>1</sup>	01-01838-11	Peru	41.02%	Concession
FREMANTLE 3 <sup>1</sup>	01-02064-10	Peru	41.02%	Concession
FREMANTLE 4 <sup>1</sup>	01-02065-10	Peru	41.02%	Concession
FREMANTLE 5 <sup>1</sup>	01-02066-10	Peru	41.02%	Concession
FREMANTLE 7	01-02068-10	Peru	41.02%	Concession
FREMANTLE 8 <sup>1</sup>	01-02250-10	Peru	41.02%	Concession
FREMANTLE 9 <sup>1</sup>	01-02424-10	Peru	41.02%	Concession
KELLY 00 <sup>1</sup>	01-01840-11	Peru	41.02%	Concession
KELLY 01 <sup>1</sup>	01-04977-11	Peru	41.02%	Concession
LATIN ILO SUR F <sup>1</sup>	01-02824-09	Peru	100%	Concession
LATIN MORRITO 1 <sup>2</sup>	01-02827-09	Peru	100%	Concession
LATIN MORRITO 2 <sup>2</sup>	01-02828-09	Peru	100%	Concession
VANDALS 1 <sup>2</sup>	01-02437-10	Peru	100%	Concession
VANDALS 2 <sup>2</sup>	01-02438-10	Peru	100%	Concession

## ARGENTINA

### Catamarca

Latina 15	163/18	Argentina	100%	Exploration Concession
Latina 16	207/18	Argentina	100%	Exploration Concession
Latina 17	208/18	Argentina	100%	Exploration Concession
Latina 18	209/18	Argentina	100%	Exploration Concession
Latina 19	210/18	Argentina	100%	Exploration Concession
Latina 20	211/18	Argentina	100%	Exploration Concession
Latina 21	212/18	Argentina	100%	Exploration Concession
Latina 22	213/18	Argentina	100%	Exploration Concession
LATINA 1	1/18	Argentina	100%	Exploration Concession
LATINA 2	3/18	Argentina	100%	Exploration Concession
LATINA 3	5/18	Argentina	100%	Exploration Concession
LATINA 4	6/18	Argentina	100%	Exploration Concession
LATINA 5	4/18	Argentina	100%	Exploration Concession
LATINA 6	2/18	Argentina	100%	Exploration Concession
LATINA 7	13/18	Argentina	100%	Exploration Concession
LATINA 8	14/18	Argentina	100%	Exploration Concession
LATINA 9	12/18	Argentina	100%	Exploration Concession



## TENEMENT SCHEDULE

LATINA 10	11/18	Argentina	100%	Exploration Concession
LATINA 11	10/18	Argentina	100%	Exploration Concession
LATINA 12	9/18	Argentina	100%	Exploration Concession
LATINA 13	8/18	Argentina	100%	Exploration Concession
LATINA 14	7/18	Argentina	100%	Exploration Concession
LATINA 15	163/18	Argentina	100%	Exploration Concession
LATINA 16	207/18	Argentina	100%	Exploration Concession
LATINA 17	208/18	Argentina	100%	Exploration Concession
LATINA 18	209/18	Argentina	100%	Exploration Concession
LATINA 19	210/18	Argentina	100%	Exploration Concession
LATINA 20	211/18	Argentina	100%	Exploration Concession
LATINA 21	212/18	Argentina	100%	Exploration Concession
LATINA 22	213/18	Argentina	100%	Exploration Concession
MINA LA CULPABLE <sup>3</sup>	45/81	Argentina	100%	Mining Concession

### San Luis

PORTEZUELO	65-C-2016	Argentina	100%	Exploration Concession
ESTANZUELA	64-C-2016	Argentina	100%	Exploration Concession
LA META	63-C-2016	Argentina	100%	Exploration Concession
TILISARAO	66-C-2016	Argentina	100%	Exploration Concession
BAJO DE VELIZ	76-C-2016	Argentina	100%	Exploration Concession
DE GEMINIS	84-C-2016	Argentina	100%	Exploration Concession
MARIA DEL HUERTO	85-C-2016	Argentina	100%	Exploration Concession
MARIA DEL HUERTO	134-Q-1936	Argentina	100%	Mining Concession
GEMINIS <sup>3</sup>	674-S-1968	Argentina	100%	Mining Concession
DON GREGORIO <sup>3</sup>	470-O-2006	Argentina	100%	Mining Concession
ESTANZUELA SUR	64-R-2017	Argentina	100%	Exploration Concession
LOS MEMBRILLOS	65-R-2017	Argentina	100%	Exploration Concession
QUINES SUR	66-R-2017	Argentina	100%	Exploration Concession
PASO GRANDE NORTE	67-R-2017	Argentina	100%	Exploration Concession
SOLITARIO	68-R-2017	Argentina	100%	Exploration Concession
TRAPICHE NORTE	69-R-2017	Argentina	100%	Exploration Concession
ESTANZUELA NORTE	70-R-2017	Argentina	100%	Exploration Concession
QUINES	71-R-2017	Argentina	100%	Exploration Concession
LA TOMA NORTE	72-R-2017	Argentina	100%	Exploration Concession
QUINES ESTE	72-R-2017	Argentina	100%	Exploration Concession
PASO GRANDE SUR	1-R-2018	Argentina	100%	Exploration Concession
TRAPICHE SUR	2-R-2018	Argentina	100%	Exploration Concession
LA TOMA SUR	3-R-2018	Argentina	100%	Exploration Concession

### NOTES

<sup>1</sup> Indirect interest via 41.02% shareholding in Westminster Resources Ltd

<sup>2</sup> Acquisition is pursuant to an option agreement.

<sup>3</sup> Acquisition pursuant to option agreement.