



LATIN RESOURCES LIMITED
ACN: 131 405 144

Unit 3, 32 Harrogate Street
West Leederville, Western Australia,
6007.

P +61 8 6117 4798
E info@latinresources.com.au
W www.latinresources.com.au

24 October 2019

WA HALLOYSITE PROJECT ACQUISITION AND CAPITAL RAISING

HIGHLIGHTS

Latin Resources Limited (ASX:LRS) has entered into a conditional Binding Terms Sheet to acquire Electric Metals Pty Ltd, which owns 100% of the following exploration projects:

Noombenberry Halloysite Project

- Electric Metals' flagship asset is the 54km² Noombenberry Halloysite project covering two contiguous tenements (E77/2622 and E77/2624 still in the application process).
- Presents a compelling opportunity as one of Australia's few known natural occurrences of tubular halloysite.¹
- Located less than 300km from Perth, with Fremantle Port easily accessible via the Great Eastern Highway. All services required for a low cost mining operation are in close proximity.
- Scientists from the Geological Survey of Western Australia (GSWA) identified the mineral occurrence in 1999¹ - however it remained undiscovered by commercial explorers until being located this year by Electric's project generation team.

Big Grey Silver-Lead Project:

- 138km² granted exploration tenement in WA's tightly held Paterson region.
- The tenement is underlain by the same magnetic trend that hosts Rumble Resource's Braeside-Barramine lead-silver-barium projects.
- Paterson Region hosts some of Australia's largest copper and gold mines.

¹Reference from a report titled Kaolin in Western Australia

Latin Resources Ltd (ASX:LRS) (“Latin” or the Company”) is pleased to announce it has entered into a conditional Binding Terms Sheet to acquire Electric Metals Pty Ltd (**Electric Metals**), 100% owner of the Noomberry Halloysite Project near Merredin, WA, and the Big Grey Silver-Lead Project in the Paterson region, WA (**Acquisition**). The Binding Terms Sheet is subject to the satisfaction of the usual conditions for a transaction of this nature, including due diligence by both parties and obtaining shareholder approvals.

Why Halloysite?

- Kaolinite-Halloysite presents a low risk commodity with minimal ground disturbance required;
- High investor interest in Halloysite as a globally scarce commodity with demand drivers.
- The main markets for Halloysite are the ceramics and also the petroleum industry as a catalyst for fluid catalytic cracking.
- There are emerging markets developing for Halloysite such as nanotube technologies and cancer therapeutics.



Figure 1. Location of Merredin, close to the Noomberry Halloysite Project

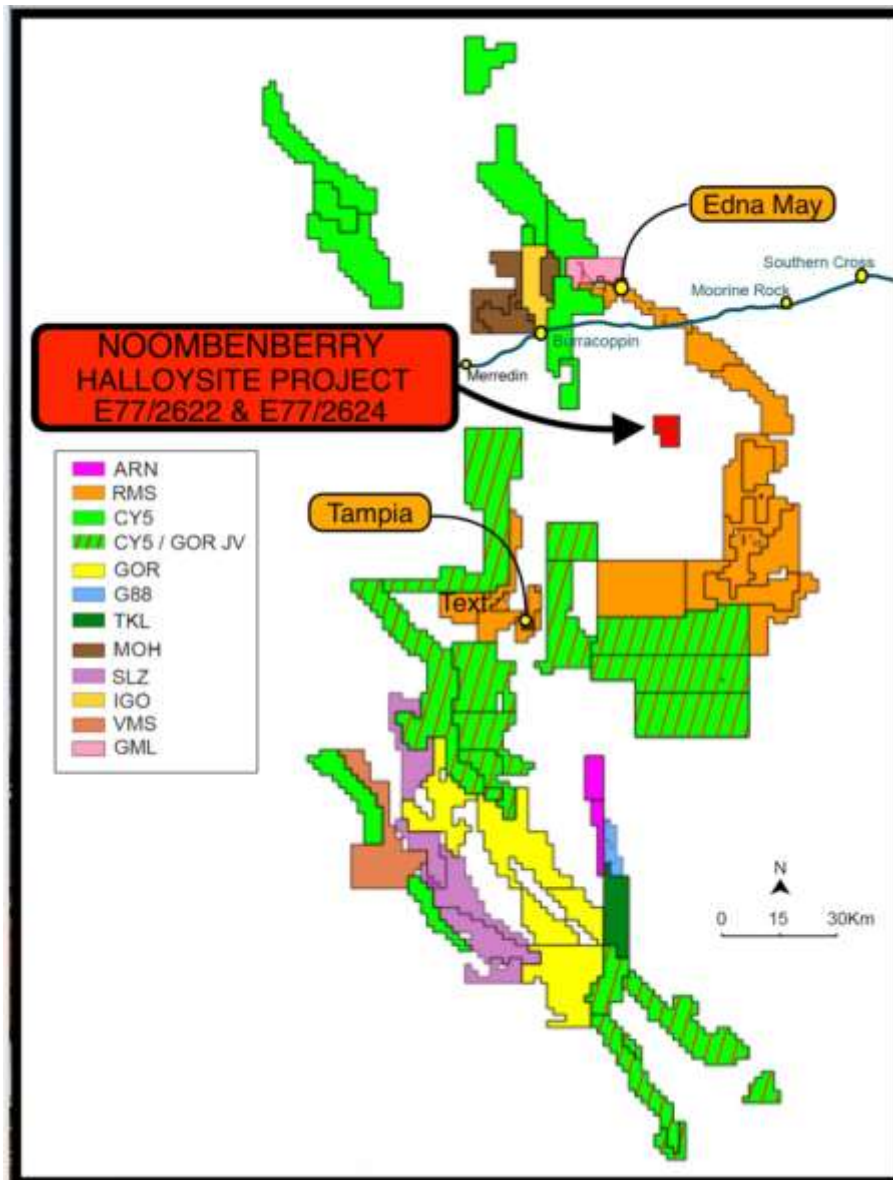


Figure 2. Noombenberry Halloysite tenement map

Big Grey Silver-Lead Project

- Electric Metals' Big Grey Lead-Silver project (E45/5246) is a 138km² granted exploration tenement in WA's Paterson region
- The Paterson province hosts two of Australia's biggest copper and gold mines, Telfer operated by Newcrest Mining, and Metals X Ltd's Nifty



**BIG GREY PROJECT
E45 / 5246**

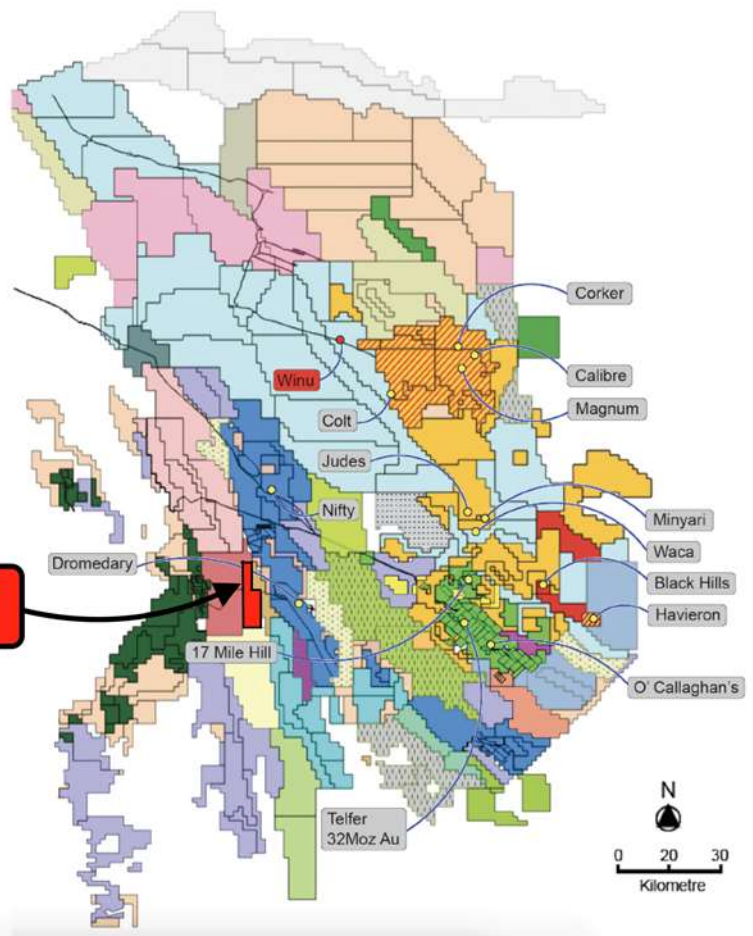


Figure 3. Paterson region exploration tenements

Summary of Acquisition Terms for Electric Metals

The consideration for the acquisition will comprise the issue of 25,000,000 fully paid ordinary shares in LRS (**“Shares”**) and 6,250,000 options to subscribe for Shares, exercise price \$0.012, expiry 31 December 2022 (**“Vendor Options”**)² (together, the **“Consideration Securities”**). Electric will also be eligible for 16.5m milestone shares and 4.125m milestone options on a successful Kaolinite/Halloysite JORC inferred resource of 3 million tonnes at 30% Ceramic Alumina (Al₂O₃) or greater. The acquisition of Electric Metals and issue of the Consideration Securities are subject to shareholder approval under Listing Rule 11.1.2. There will be no change to the Company board as a result of the Acquisition.

Capital Raising

The Company is also conducting a share placement and convertible note issue to professional and sophisticated investors and a rights issue (**“Capital Raising”**) to raise capital for exploration, project development, working and other capital requirements including paying down debt with Lind Asset Management.

² The full terms of the Vendor Options are contained in Annexure A to this announcement

The Capital Raising will comprise the following, all (apart from the rights issue) subject to shareholder approval under Listing Rule 11.1.2:

- (a) A placement to raise up to \$1,000,000 via the issue of up to 166,666,667 shares at \$0.006 per share ("**Placement Shares**").

The Placement Shares come with 1 for 2 free-attaching Options ("**Placement Options**"), on the same terms as the Vendor Options.

- (b) Convertible Notes issued to raise up to a maximum of \$520,000 ("**Notes**"). The Notes will convert to fully paid ordinary shares at a 20% discount to historical 5-day VWAP at a time of the Note holders' election with a floor price of \$0.004. The Notes will pay a 12% pa coupon, with interest paid quarterly in cash or shares. The Noteholders will also receive 80 free attaching options for every \$1.00 raised under the Notes subject to conversion ("**Note Options**"). The Note Options will be issued on the same terms as the Vendor Options.

It is a term of the Notes that the maximum number of ordinary shares that the Notes can be converted into can be no more than the placement capacity of the Company under Listing Rule 7.1 as at the date of execution of the Convertible Note Deed and any issue of shares following conversion beyond the placement capacity of the Company under Listing Rule 7.1 shall be subject to shareholder approval.

Further particulars in relation to the Notes are as follows:

- The repayment date is 30 April 2020.
 - The Noteholder can elect whether the interest is paid in cash or in shares.
 - If a Noteholder elects to be paid their interest in shares, those shares will convert on the same formula and subject to the same floor price (\$0.004) as any shares converted pursuant to the Notes.
- (c) The Company will offer a rights issue on a 1 for 1 basis with a rights issue price of \$0.006 per share with 1 for 2 free-attaching Options ("**Rights Issue Options**") on the same terms as the Vendor Options to raise up to a maximum of \$995,827 if fully taken up.
- (d) The Placement will be made without a prospectus or other disclosure document as an exempt issue to sophisticated and professional investors only. It is noted that a Cleansing Prospectus will be issued for the purpose of Section 708(A)(11) of the Corporations Act to remove any trading restrictions on the sale of the shares issued by the Company.
- (e) A total of 40,000,000 options will also be issued to PAC Partners for their services in facilitating the Capital Raising, the terms of which will be the same as the Vendor Options.
- (f) In addition, the Company will offer the holders of the LRSOB Listed Option class that expired on 12 October 2019 the opportunity to subscribe for new options at an issue price of \$0.0015

per option ("**New Options**"). These options will have the same terms as the Vendor Options. The maximum number of New Options to be issued will be 34,042,873.

- (g) Subject to, and conditional on, complying with all ASX Listing Rule requirements, the Company will apply for quotation on the ASX of the Vendor Options, the Placement Options, the Note Options, Rights Issue Options, the New Options and the options to PAC Partners.

The use of funds table set out below shows, inter alia, how much of the capital raised by the Capital Raising will be allocated towards a work program on the assets acquired from Electric Metals:

Use of funds	\$
Lind repayment	\$1,000,000
Creditors	\$400,000
Costs of the Capital Raising	\$130,000
Expenditure on Electric assets	\$150,000
Working Capital	\$320,000

The work program for the \$150,000 expenditure on the Electric Metal assets is as follows:

Work program	\$
1. Further sampling and assaying to determine size of kaolin body and consistency of halloysite occurrence, to commence upon engagement with farm owner:	\$15,000
2. Desktop modelling of deposit area and planning of drill program. Cost circa	\$25,000
3. Compiling geophysical data Cost circa	\$20,000
4. Aircore and RC drilling to commence upon project grant in 3-6 months. Cost circa	\$75,000
5. Assaying and modelling of deposit size, define inferred JORC resource. Cost circa	\$10,000
6. Commence discussions with end users for offtake agreements	\$5,000

As noted above, the issue of the Consideration Securities, Placement Shares, Placement Options, Conversion of the Notes into the Note Shares and Note Options, options to PAC Partners and New Options are subject to shareholder approval. The Company envisages holding a General Meeting in early December 2019 to seek the necessary shareholder approvals.

Indicative Timetable

Convertible Notes Issue ¹	29 October 2019
Dispatch of Notice of Meeting	First week of November 2019
General Meeting Held	First week of December 2019
Capital Raising Completed	First week of December 2019
Completion of Acquisition	Early December 2019

¹ Conversion of Notes are subject to shareholder approval

² Dates are indicative only and subject to change

The Company notes that day zero of the rights issue timetable will be no earlier than the day following the General Meeting to approve the Acquisition.

Company Strategy

With a decline in the lithium sector globally, a trend the Company considers to be temporary, the Company will only continue with its lithium operations in Argentina and Brazil via a sale or in conjunction with suitable joint venture partners able to fund the projects. The Company remains focused on seeking and attracting suitable joint venture partners through its highly prospective hard rock lithium projects in Argentina and Brazil and remains confident of doing so within the near to medium term.

The Company will now be focused on the following key areas:

1. The collaborative exploration agreement the Company has with First Quantum on its Ilo Sur properties in southern Peru. The Company believes it is now very close to finalising the process of obtaining the necessary permitting to enable exploration drilling to commence on this exciting copper project. It is well known that First Quantum have expended significant time and resources to date in an extensive assessment of this project which has resulted in a target area recommended for follow up which includes drill targets already identified in what is expected will be a significant new copper project. The Company remains hopeful that this joint venture will deliver the upside it has long promised, and we look forward to receiving good news on this project in the medium term.
2. To develop the halloysite and Paterson Range Silver/Lead projects acquired from Electric Metals. While not a large transaction, halloysite and kaolin, the two clay minerals found on the flagship Electric Metals project, have geological importance and many technological applications which are increasing with research. The acquisition is consistent with the strategic direction announced by the Company to the ASX on 4 October 2019 to identify and develop strategic mineral projects in Australia. The Company is excited with the potential of

this new opportunity and believes it will add value to the Company's existing portfolio of mineral projects.

3. Seeking suitable joint venture partners for their highly prospective hard rock lithium projects in Argentina and Brazil.
4. To identify and secure a buyer for the Guadalupito mineral sands project. This process has been on foot for some time and the Company has interest from a potential buyer albeit it is early days. The Company maintains its belief that there is value that can be obtained from this project whether by way of a sale or part sale.

For further information please contact:

Chris Gale
Managing Director
Latin Resources Limited
+61 8 6117 4798

Peter Taylor
Investor Relations
NWR Communications.
P: +61 412 036 231

About Latin Resources

Latin Resources Limited (ASX:LRS) is an Australian-based mineral exploration company with a number of mineral resource projects in Latin America. The Company has secured over 173,000 hectares of exploration concessions in the lithium pegmatite districts of Catamarca and, San Luis Provinces, Argentina. The Company has also assembled a portfolio of lithium projects in Brazil.

The company also has a portfolio of Copper and a mineral sands projects in Peru. It is actively progressing its Copper Porphyry project in the Ilo region with its joint venture partner First Quantum Minerals Ltd.

info@latinresources.com.au

www.latinresources.com.au



Competent Person Statement

The information in this announcement that relates to Mineral Resource estimates, Exploration Results and general project comments is based on information compiled by Nicholas Revell, a Competent Person who is a Member of The Australian Institute of Geoscientists. Mr. Revell is a geologist consultant to Latin Resources. Mr. Revell 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. Revell consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

References:

Kaolin in Western Australia by PB Abeysinghe and JM Fetherston -1999 updated 2017-GSWA publications - Geological information about the Noomberry Halloysite project was sourced from pages 76-80.

Annexure A

Terms and conditions of Options

The terms and conditions of the options are as follows:

- (a) Each option entitles the holder to subscribe for and be allotted one ordinary fully paid share in Latin Resources Ltd (ACN 131 405 144) (**Company**).
- (b) The options are exercisable at \$0.012 per share (**Exercise Price**).
- (c) The options will expire on 31 December 2022 (**Expiry Date**).
- (d) The options are exercisable at any time on or prior to the Expiry Date by notice in writing to the Company accompanied by payment of the Exercise Price.
- (e) The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.
- (f) All shares issued upon exercise of the options will rank *pari passu* in all respects with the Company's then existing ordinary fully paid shares. The Company will apply for Official Quotation by the ASX of all shares issued upon exercise of the options.
- (g) There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, if from time to time on or prior to the Expiry Date the Company makes an issue of new shares to the holders of fully paid ordinary shares, the Company will send a notice to each holder of options at least ten Business Days before the record date referable to that issue. This will give Option holders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.
- (h) If from time to time on or prior to the Expiry Date the Company makes an issue of shares to the holders of ordinary fully paid shares in the Company by way of capitalisation of profits or reserves (a **bonus issue**), then upon exercise of their options, optionholders will be entitled to have issued to them (in addition to the shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue (**bonus shares**) if on the record date for the bonus issue they have been registered as holder, if, immediately prior to that date, they had fully exercised their options and the shares the subject of such exercise had been duly allotted and issued to them. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank *pari passu* in all respects with the other shares allotted upon exercise of the options.
- (i) There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the options.
- (j) In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an Option holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.