LATIN RESOURCES LIMITED

ABN 81 131 405 144

2016 Annual Report

CORPORATE DIRECTORY

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(Non-Executive Chairman)

Mr Christopher Gale
(Managing Director)

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(Non-Executive Director)

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CREATING WEALTH, OPPORTUNITIES AND INVESTMENTS IN LATIN AMERICA

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CHAIRMAN'S REVIEW

Dear Shareholders

The fall in global commodity prices in 2015 coupled with negative investment sentiment and weak capital markets caused the Board of the Company to review some of its core strategies in the first quarter of 2016.

The timing of this review could not have been more prescient. With a track record of identifying projects with quality joint venture partners, and a strong management team developed from seven years exploration work to date in South America, it was a natural segue for the Company to take advantage of the potential of lithium exploration in Argentina which in 2015 supplied 11% of the global lithium market which is expected to increase to 29% by 2025.

The recent elections in Argentina have brought a significant political shift which has to date brought positive changes to the mining sector and to the county's economy in general. Argentina is well and truly 'open for business'.

With demand for lithium exceeding supply the lithium outlook remains positive for 2017 and beyond. The Company's focus on lithium exploration in Argentina has been based on spodumene sources of lithium hence the push for hard rock lithium bearing pegmatites.

With its new focus on lithium exploration and production, a highlight for the year ended 31 December 2016 was the Company announcing its claim applications over 70,000 hectares in 7 exploration tenements in the Catamarca province of Argentina, prospective for lithium pegmatites. This was followed on 2 November 2016 by claim applications over 24,769 hectares in 6 exploration provinces in the San Luis province in Argentina. The Company secured further lithium and tantalum pegmatites in the Salta province in Argentina.

Not content to be another junior explorer in the emerging lithium sector, an objective of the Company is to control as much of the known hard rock lithium bearing pegmatites in Argentina and to commence production of spodumene concentrate as part of its strategy to transition from an explorer to a producer. Advances in lithium extraction technology should further progress this objective.

The agreement with First Quantum in Peru on its MT03 project remains very much on foot. The necessary permitting to drill the project is continuing with the same enthusiasm and commitment which First Quantum continue to display in relation to this copper project in Southern Peru which is 100% owned by the Company. The Company is optimistic that the joint venture foreshadowed by the current MOU with First Quantum 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.

The Board maintains that the Company's Guadalupito project is a valuable and viable resource asset, however, with a soft magnetite price and limited global producers of andalusite, realizing value from this project has been challenging. That said, the opportunity to find a joint venture partner to bring this project into production remains a focus of the Company.

Consistent with its proactive strategy of not only preserving but enhancing the value of the Company, I am pleased with the new project opportunities the Company has pursued while keeping costs and expenses down to the fullest extent possible.

During the year the Company's balance sheet strengthened substantially with the repayment of debt. Substantial fresh capital has also been raised. To put things in perspective, at the beginning of the year in review the Company had a market capitalization of around $5m. On 31 December 2016 its market capitalization was $18.9m. As at the date of this review the market capitalization of the Company was nearly $20m.

Further details of the new project opportunities and overall performance of the Company including its debt repayments are contained in the Review of Operations section of this Annual Report and there is no need for them to be repeated here.

Our management, staff and consultants in Australia, Peru and Argentina continue to work diligently in what is always a challenging environment and I thank them for their ongoing contributions sometimes in very difficult circumstances. I also thank fellow non-executive director Brent Jones for his ongoing and valuable contribution.

On behalf of the Board, I would like to make special mention of and thank our Managing Director, Mr Chris Gale for his ongoing and tireless efforts in the pursuit of the strategy and vision of the Company as well as his promotional and capital raising activities. There is not a place in the world he will not travel to if it means it will deliver a benefit to the Company and its shareholders. His energy, vision and leadership over the past 12 months have been exceptional and deserve the utmost recognition and respect.

I also thank our loyal and valued shareholders, including our new shareholders, for your ongoing support of the Company over the past 12 months. The Company is alive and well and the Board is leaving no stone unturned to reward shareholders and enhance shareholder value.

I look forward to bringing you news of further progress in 2017 which has been most positive to date as evidenced by the regular news flow which can be accessed on the Company's website.

DAVID VILENSKY
Chairman
31 March 2017

Drilling in progress on the Catamarca concessions

REVIEW OF OPERATIONS

Company overview

During the year Latin Resources added several large Argentinian tenements to the portfolio in our goal to secure near production Lithium targets.

The company also continued to operate its Peruvian exploration business with its Joint venture partner in the regions of Ilo and potentially a JV partner for Guadalupito which are at various stages of further exploration.

The challenging market conditions for junior exploration companies forces many to vest assets cheaply or seek alternate industries all together. However, Latin's strategy of identifying and securing joint venture partners for the Peruvian assets and near term hard rock lithium assets in Argentina has allowed the company to continue exploration work.

Latin continued evaluation of project opportunities throughout Latin America in 2016, in particular those with more favourable mineral characteristics in the current market and global demand cycle which have enabled the company to not only survive but to thrive.

During the year, the company paid down is debts and has built financial reserves for exploration work. The board continues to maintain and attract investors both locally and abroad to help us achieve the goal of bringing the company from exploration and into production.

REVIEW OF OPERATIONS

Highlights for the year ended 31 December 2016

CATAMARCA – (ARGENTINA*)*

- On 31 May 2016 the Company announced it had made claim applications over 70,000 hectares in seven exploration tenements in the Catamarca Province, prospective for Lithium Pegmatites.

- Following extinction of a series of abandoned claims by the Mining Authority of Catamarca, Latin applied for additional exploration tenements over 7,051.6 hectares that were surrounded by the initial exploration tenement applications in two areas, Vilisman and Ancasti, each with past Lithium mining activity and that together host in excess of twenty Lithium bearing pegmatite deposits documented by various authors in publications made over the last 50 years.

- These Lithium bearing pegmatite deposits have a history of small scale past production, having been intermittently exploited for Lithium minerals, and associated Beryl, Tantalum and feldspars during the 1950's and 1970's.

- Analysis of four samples collected by Latin geologists of exposures of spodumene in old mine workings in three pegmatite deposits within the new claim applications reported grades of 6.6%, 7.1%, 6.3% and 4.9% Li2O respectively.

- On the 25th January 2017 the Environmental Impact Assessment (EIA) and drill permit was approved.

- Mapping combined with rock chips results provide confirmation of drilling targets for a 3,000m reverse circulation program

- Analysis of twenty nine new samples collected by Latin Resources geologists of exposures of pegmatites in old mine workings in seven pegmatite deposits within the claim applications reported grades of up to 4.46% Li2O

SAN LUIS – (ARGENTINA)

- On the 2nd November 2016, Claim applications over 24,769 hectares in six exploration concessions and one vacant Lithium mining concession within the Conlara and Estanzuela pegmatite fields were lodged at the mining authority in the San Luis Province, Central Argentina.

- The six exploration concessions each surround pegmatites dykes known to have been mined in the past for Lithium minerals (as spodumene or lepidolite) and/or other related minerals including quartz, feldspar, beryl, tantalite (tantalum mineral) and colombite (niobium mineral).

- Latin also claimed the "Maria Del Huerto" mining concession, comprising three parallel dykes where spodumene was mined between 1936 and 1940.

- The main working at "Maria del Huerto" measures 110 m x 15 m and has been excavated to only 10 m depth. Spodumene crystals of up to 1 m in length have been recorded.

ANSOTANA – (SALTA, ARGENTINA)

- On the 22 September 2016, Latin Resources entered into a binding Purchase and Earn-In Terms Sheet to acquire up to a 90% interest in several mining concessions which comprise of approximately 44,290 hectares of lithium and tantalum pegmatites in the Province of Salta, Argentina, known as the Ansotana Project.

- The Ansotana concession area was mined for Tantalum and Bismuth by the Ansotana Mining Company between 1943 and 1945. The company carried out production on the mineralized pegmatites which material was sold to the USA during World War 2.

- The Ansotana Pegmatites are complex Lithium rich pegmatites and host minerals such as tantalite, beryl and the lithium bearing minerals such as spodumene, Lepidolite and montebrasite (amblygonite).

- This purchase, if successfully completed, will advance the continuing strategy of Latin Resources to secure the known hard rock lithium bearing pegmatites in Argentina.

ILO SUR – PACHAMANCA / MT-03 (PERU)

- On the 27 July 2016, Latin Resources 100% owned subsidiary Peruvian Latin Resources SAC signed a Binding Terms Sheet (BTS) with the Peruvian subsidiary of Canada mining giant First Quantum Minerals Ltd - Minera Antares Perú S.A.C., ("Antares"), to document the terms of a rights assignment and earn-in option to transfer up to 80% ownership of its Pachamanca/MT-03 Project to Antares.

- Antares to complete geophysical survey and following which may elect to proceed with a rights assignment and an option to earn an initial 51% of the project by completing 4,000m of drilling within 6 months of obtaining drilling approvals.

- Antares may exercise the first option within a maximum of 48 months after obtaining advanced stage drill permits, and will earn 51% on completion of drilling and technical studies to support a JORC resource estimate of >1Mt contained copper equivalent.

- PLR to receive staged payments totalling US$0.5 million over the option period, as an additional condition precedent to exercise the option.

- Antares can earn up to a total of 80% of the project when technical documentation of work completed is provided to support a decision to mine. PLR free carried up to decision to mine. Antares will have an option to buy PLR's remaining 20% share based on an independent valuation. PLR will then retain a 2% NSR royalty.

- Antares will have the right to reduce the NSR to 1% by paying US$40 Million cash to PLR.

ILO ESTE – (PERU)

- The Ilo Este project, Compañia Minera Zahena SAC (Zahena) completed a total of nine drill holes for 5,322.1 m of diamond drill core (Table 1) at Latin's Ilo Este Porphyry Copper Project, and had terminated the option and assignment agreement announced in July 2015.

- Six of the holes were sampled and assayed, results for one of which (IE-DDH-010-15) were reported 25 January 2016. Results of assays from the remaining five holes assayed had been provided by Zahena, and in general show no improvement over the lower grades reported previously.

- The mineralised porphyry system is confirmed as being very large, and while potential may exist for higher grade phases within the relatively broad drill pattern executed by Zahena and previously by Latin, further investment to test for such mineralisation was abandoned by Zahena.

- The Company will continue to evaluate the results and consider the future of the project in the context of its strategy to seek third party direct investment to advance exploration of its Peruvian Copper projects.

GUADALUPITO ANDALUSITE PROJECT – (PERU)

- The Company suspended further work on Guadalupito, limiting spending on the Project until a suitable partner can be found to invest directly into the project.

- Discussions continue with a number of parties and the company expects a result from these when prices in mineral sands rise according to demand.

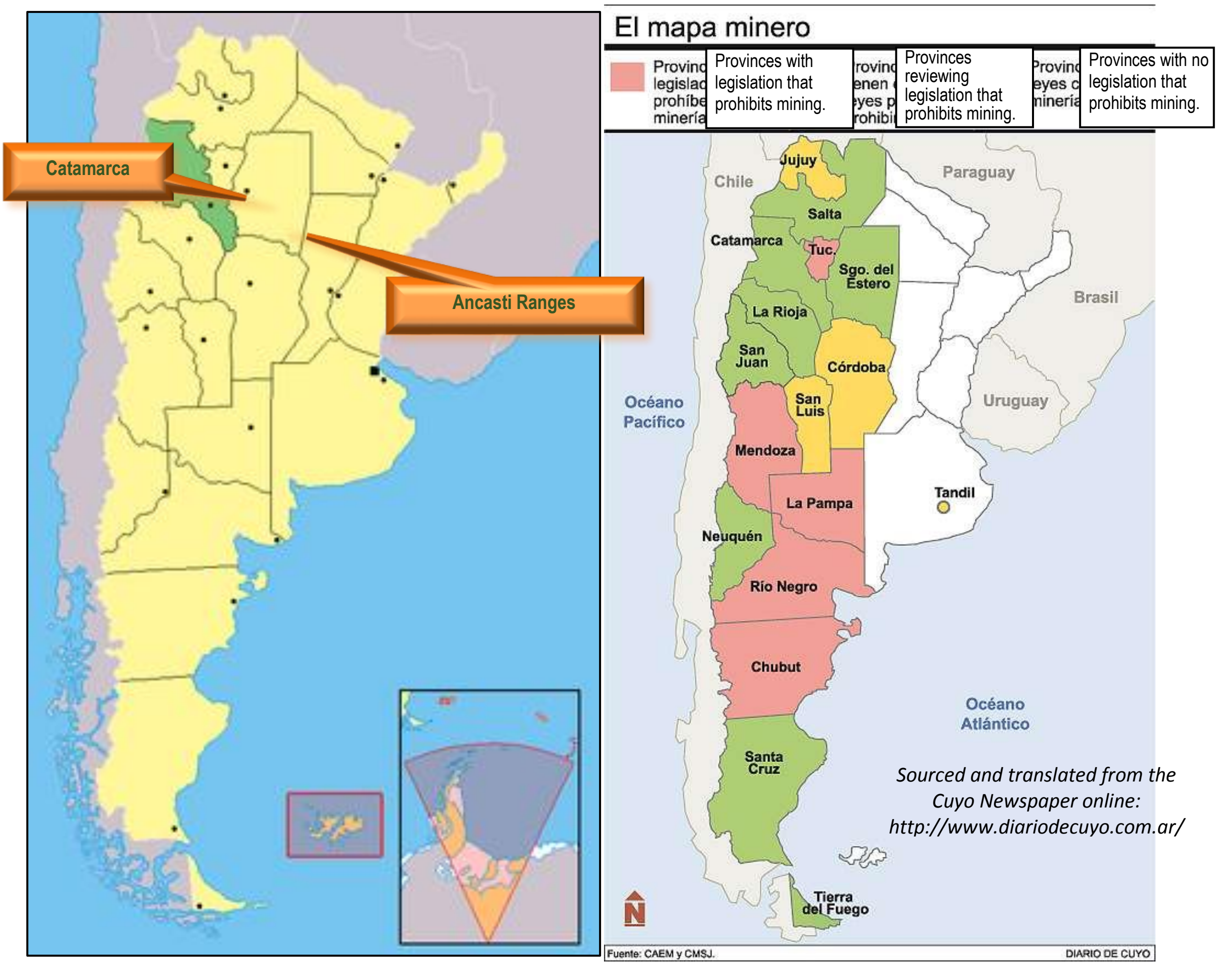
REVIEW OF OPERATIONS

Projects

CATAMARCA – (ARGENTINA)

Latin Resources announced that claim applications for 7,051.6 hectares in two exploration tenements have been lodged at the Catamarca Province mines office.

The two tenements cover the Vilisman and Ancasti Pegmatite Groups referred to in the Company's announcement of 31 May 2016, and each host a number of well documented Lithium bearing pegmatites near the townships of Ancasti and Vilisman (Figure 2), each located on the eastern slopes of the Ancasti Ranges some 40 km from the Provincial Capital, San Fernando del Valle de Catamarca (Figure 1).



Location of the mining friendly Catamarca Province, its capital, and the Ancasti Ranges in NW Argentina.

These new applications are in addition to seven initial applications totaling 70,000 hectares surrounding the Ancasti and Vilisman Groups subject of the announcement of 31 May 2016. The two new applications were made following extinction of abandoned mining claims by the Catamarca Mining Court.

Pegmatites of the Ancasti Ranges:

Various studies of pegmatites in the Ancasti Ranges have been reviewed: Herrera (1964), Rossi (1965), Fernández Lima et al. (1970), Marconi (1972), Balmaceda (1982), Balmaceda and Kaniefsky (1982), Lottner (1983), Acosta et al. (1988) and Galliski (1992a, 1994a, 1994b).
Acosta et al (1988) grouped a series of lithium-bearing pegmatites occurrences in the Ancasti Ranges into two groups, geographically located within several kilometres of each of the Vilisman and Ancasti townships.

REVIEW OF OPERATIONS

The Vilisman group:

- La Culpable
- Reflejos del Mar
- La Herrumbrada
- Loma Pelada
- Campo el Abra
- Juan Carlos
- Joyita
- Pampa El Coco

The Ancasti group:

- Ipizca I
- Ipizca II
- Santa Gertrudis
- Flor Morada

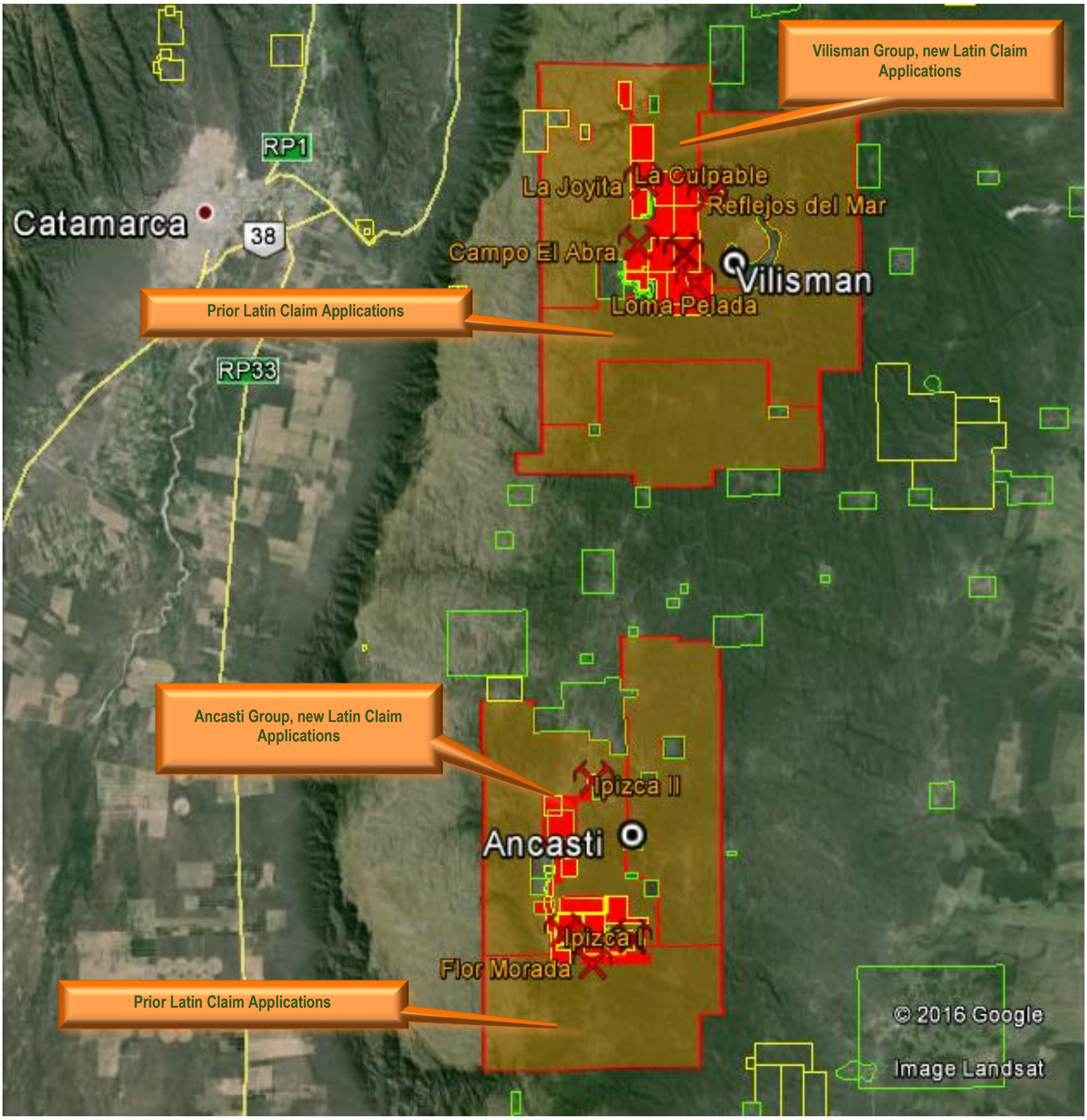


Figure 2: Location of the Vilisman and Ancasti Lithium Pegmatite Groups, (Solid red areas), with old mines marked. Latin's claim applications now cover the orange shaded areas extending outwards from, and also including the known Lithium deposits.

REVIEW OF OPERATIONS

The Vilisman Group hosts at least 8 pegmatite deposits that have evidence of past mining activity. Six of these are individual dykes emplaced along structures in banded mica schists, while two are formed as multiple dykes. Most of the dykes outcrop over at least 100 m of strike length with thicknesses of between 1 m and 5 m (Table 1). Acosta et al (1988) mentions 11 other deposits in the Vilisman Group that were visited as part of this work, but cites insufficient data preventing their inclusion in the tabulated list, despite having observed good mineralisation and workings.

The seven mining tenements totalling over 70,000 hectares were granted on the 20 October 2016, for exploration rights by the Mining Authority of Catamarca in Argentina.

The Company announced it has access to fully explore and drill a number of mineralised positions at Catamarca, the exploration team has commenced mapping and sampling of the concessions. The objective is to employ trenching and sampling techniques with appropriate chemical analysis to define immediate drill targets.

SAN LUIS – (ARGENTINA)

A total six exploration concessions have been claimed within the Conlara and Estanzuela pegmatite fields. Each claim surrounds documented lithium bearing pegmatite deposits that have been mined in the past for Lithium bearing minerals (spodumene or lepidolite) and/or other related minerals including quartz, feldspar, albite, beryl, tantalite (tantalum ore) and colombite (niobium ore).

Table 1: Details of Latin's new claim applications in San Luis Province, Argentina.

Claim No.	Reference Name	Pegmatite Province	Area
63-C-2016	La Meta	Conlara	5,000 ha
64-C-2016	La Estanzuela	La Estanzuela	7,976 ha
65-C-2016	El Portazuelo	La Estanzuela	1,988 ha
66-C-2016	Tilisarao	La Estanzuela	3,838 ha
84-C-2016	San Francisco	Conlara	3,977 ha
85-C-2016	Puerta Colorada	Conlara	1,990 ha
134-Q-1936	Maria del Huerto	Conlara	18 ha*
		TOTAL	**24,789 ha**

* The Maria del Huerto mine is located with the bounds of the 1,990 ha Puerta Colorada exploration tenement, thus does not add to the total area claimed.

A number of smaller mineral rights are enclosed by, (but excluded from), the six exploration claims made: one of which, the "Maria del Huerto" mining concession, is enclosed by the Puerta Colorada exploration claim and was claimed for the Company after being declared vacant by the Provincial mining authority. The Maria Del Huerto deposit was mined between 1936 and 1940 and was one of the first spodumene producers in the San Luis Province to have good grades. (Roquet et.al. 2006).

There are three pegmatite fields in San Luis, and each with an important past record of producing mica, beryl, spodumene (Lithium), tantalite, and lastly, K-feldspar, albite and quartz. El Totoral and Conlara fields are placed in the Sierra Grande de San Luis and La Estanzuela is situated in the La Estanzuela, El Portezuelo, and Tilisarao mountain ranges (Galliski & Marquez-Zavalía, 2011). The Company's claims focus on the Estanzuela and Conlara fields as well as the western margin of the Totoral field (Figure 2).

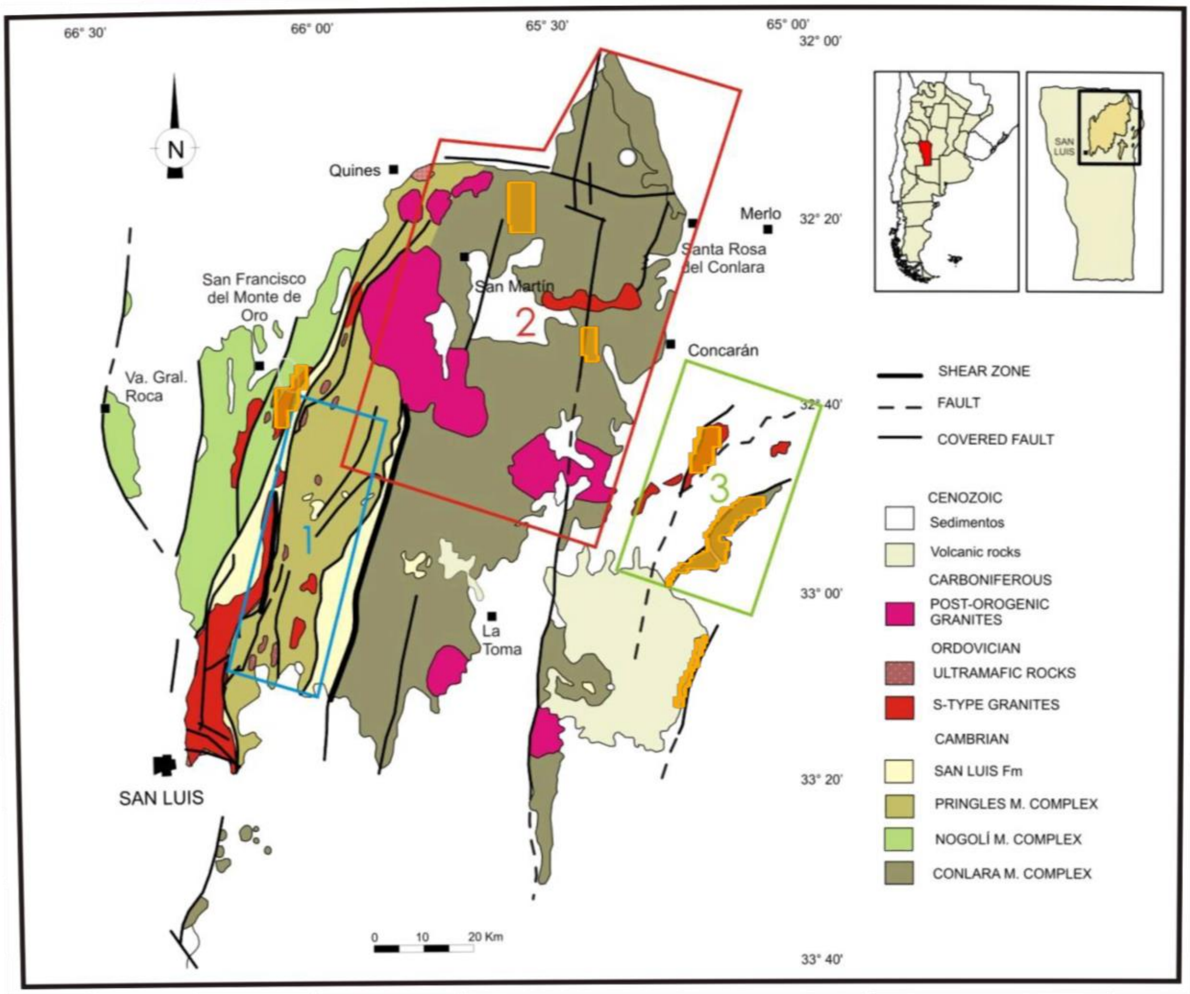


Figure 2: Location of the Latin's new Exploration and Mining Claims (orange polygons) prospective for Lithium bearing Pegmatites in North Eastern San Luis Province, Argentina. The base map is a schematic geological map of the San Luis ranges showing the location of the 1: El Totoral, 2: Conlara and 3: La Estanzuela pegmatite fields. (After Galliski & Márques-Zavilía, 2011).

The pegmatites of the three fields in Figure 2 are hosted in metamorphic complexes of medium grade, intruded by orogenic and postorogenic granites. The medium-sized pegmatites are representative of several types and subtypes as beryl-columbite-phosphate, spodumene, albite-spodumene and albite (Galliski & Marquez-Zavalía, 2011).

The Puerta Colorada Exploration Claim and the Maria del Huerto Mining Concession.

The Puerta Colorada Claim (Figure 3) is located in the Conlara pegmatite field, and encloses a number of mining concessions including the Maria del Huerto mining concession, also claimed by the Company after it was declared vacant by the Provincial mining authority.

REVIEW OF OPERATIONS

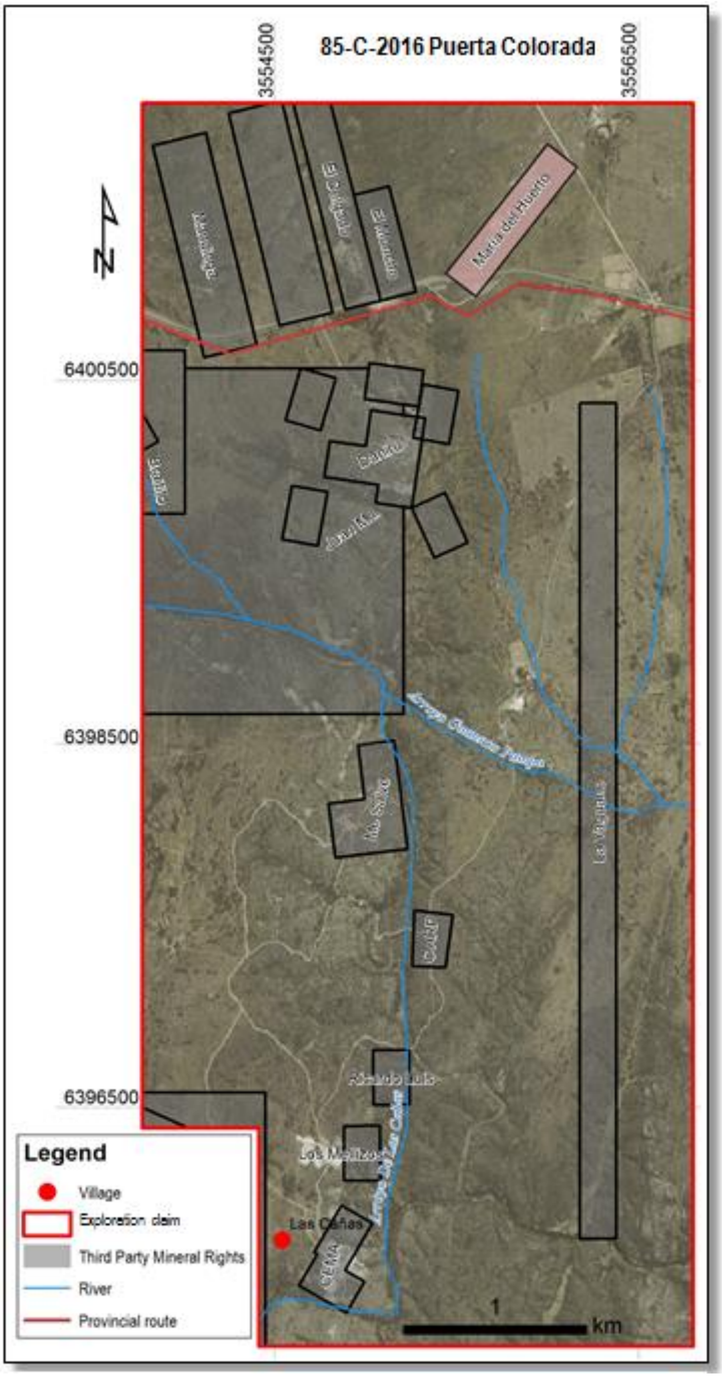


Figure 3 – Plan of the Punta Colorada Exploraiton Claim, including the Maria del Huerto Mining Concession.

The majority of the enclosed third party mining rights are expected to be excluded from the exploration claim and are predominantly pegmatites mined intermittently at a small scale for quartz and feldspar. The remainder is considered prospective for Lithium bearing pegmatite dykes and will be explored once the claim is granted and permits are in place.

The Maria del Huerto mining concession has been claimed for Latin, and is located 20 km west of the town of Concarán along the sealed Provincial Route 6 road. The concession hosts three parallel pegmatite dykes located only 300-400 m from the road.

The dykes are tabular to lenticular outcropping over 370 m, each with a strike NE-SW (Figure 4). While all three dykes show evidence of past workings, the central dyke has the most significant open pit being 105 m long, 15 m wide and excavated to a depth of almost 10 m. Zonation is well developed and asymmetric, with clearly developed zones defined as border, external, intermediate external, intermediate internal and nucleus. The Lithium mineral Spodumene occurs as prismatic crystals from a few centimetres to over a metre in length, in various colours from pale green through white to pink and lavender, occurring predominantly in the intermediate zones and nucleus of the dyke. (Roquet et.al. 2006).

REVIEW OF OPERATIONS

Latin has confirmed the presence of pink coloured, weathered spodumene in the main pit exposure (Figure 5 & 6).

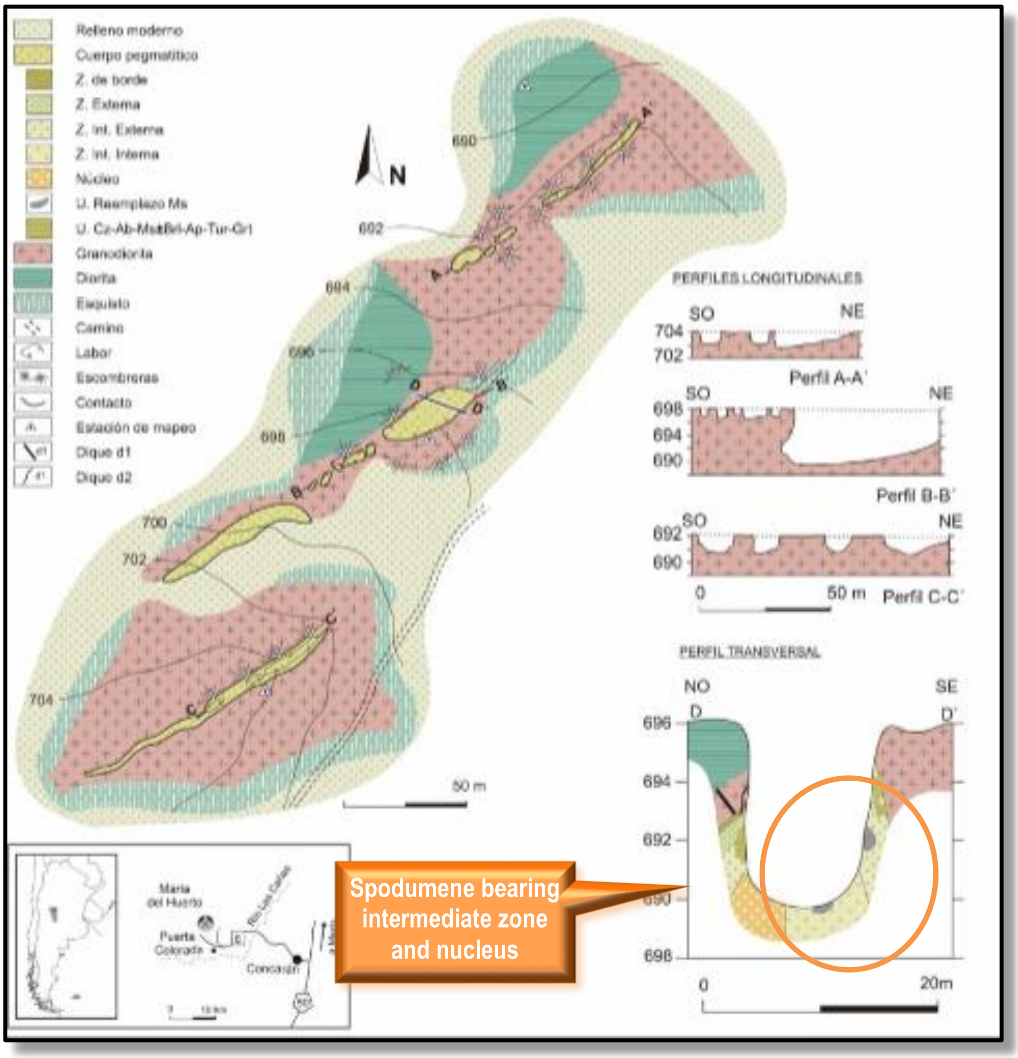


Figure 4 – Geological Mapping of the Maria del Huerto Pegmatite showing the spodumene bearing intermediate zones and nucleus exposed over the entire width of the open pit (Roquet et.al. 2006).

Figure 5 – Examples of pink coloured weathered spodumene in the Maria del Huerto open pit (Intermediate Zone).

Figure 6 – View to the South Western end of the main pit at Maria Del Huerto.

La Estanzuela Pegmatite Field: Tilisarao, Estanzuela and Portezuelo Exploration Claims

Three exploration claims have been made over the "La Estanzuela" pegmatite field, the Eastern most occurrences of lithium bearing pegmatites in the San Luis Province. This pegmatite field was defined by Galliski (1994a) as comprising the pegmatites of the Tilisarao, La Estanzuela and El Portezuelo ranges and the claims cover all available outcrop in these ranges (Figure 7).

Most of the pegmatites of this district include representatives of the Lithium-Caesium-Tantalum (LCT) petrogenetic family, rare-element class (REL), REL-Lithium subclass, with complex types of spodumene and lepidolite-subtypes, and of albite-spodumene type. In general, the pegmatites are irregular lens-shaped bodies, tens to hundreds meters long, and besides the usual rock-forming minerals, the pegmatites carry spodumene (lithium), beryl, tourmaline, lepidolite (lithium), colombite group minerals (tantalum), wodginite group minerals (tin/tantalum) in one pegmatite, amblygonite-montebrasite (lithium), triphylite-lithiophilite (lithium) and the array of secondary phosphate species. (Galliski & Marquez-Zavalía, 2011).

The Viquita and San Elias mines boast significant past production of the lithium bearing minerals spodumene and lepidolite respectively. While excluded from the Company's claims, these deposits highlight the prospectivity of the Estanzuela field for Lithium pegmatites.

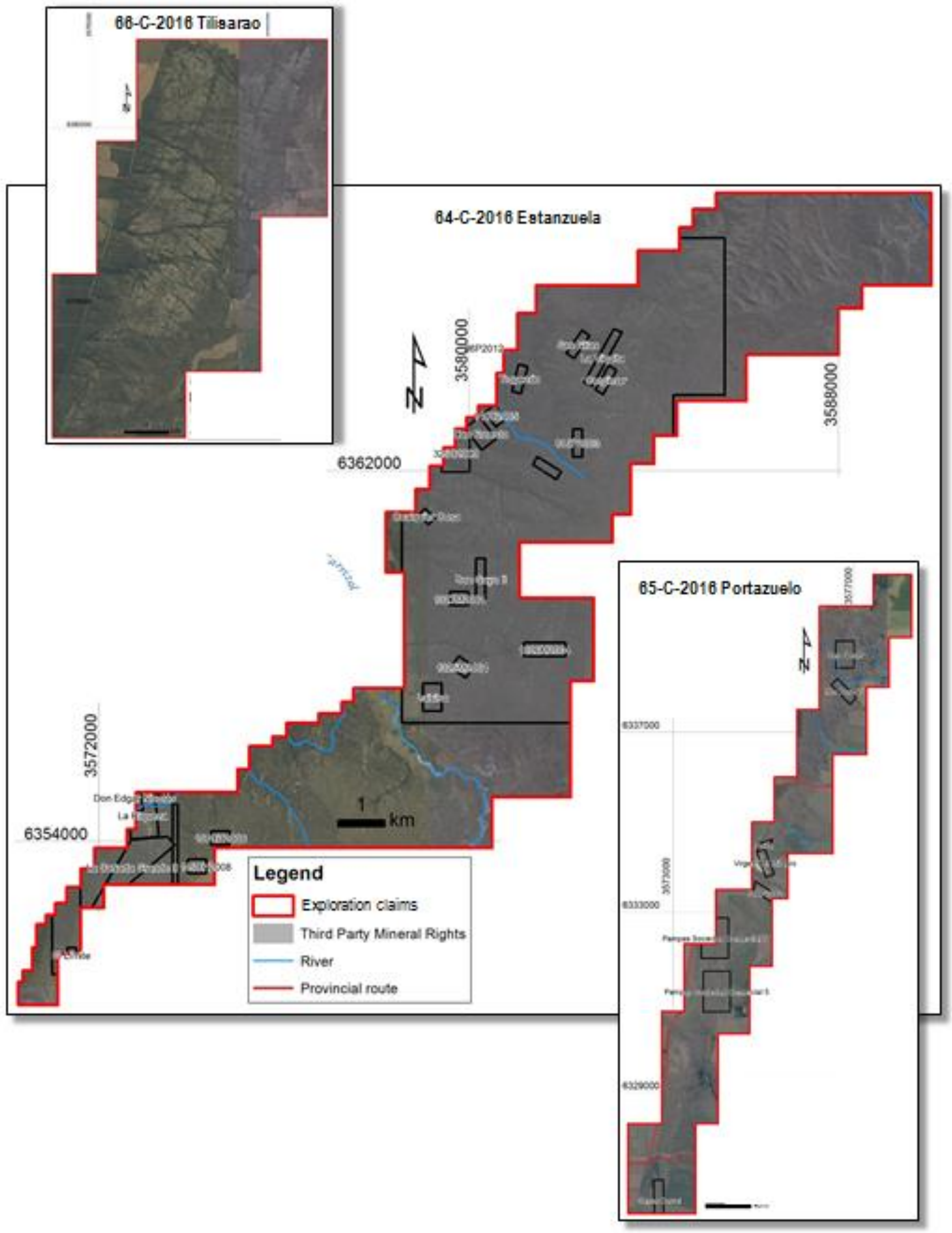


Figure 7 – Latin's exploration claims in the Estanzuela pegmatite field which comprise all available outcrop in the Tilisarao, El Estanzuela and Portazuelo mountain ranges.

The El Totoral Pegmatite Field: San Francisco Exploration Claim

The San Francisco exploration claim covers approximately 13 km along strike of structures interpreted to be significant for the emplacement of the Geminis pegmatite, exploited for spodumene last century. There are significant outcrops of pegmatites along the structural trend forming swarms of considerable number particularly in the North Eastern half of the claim.

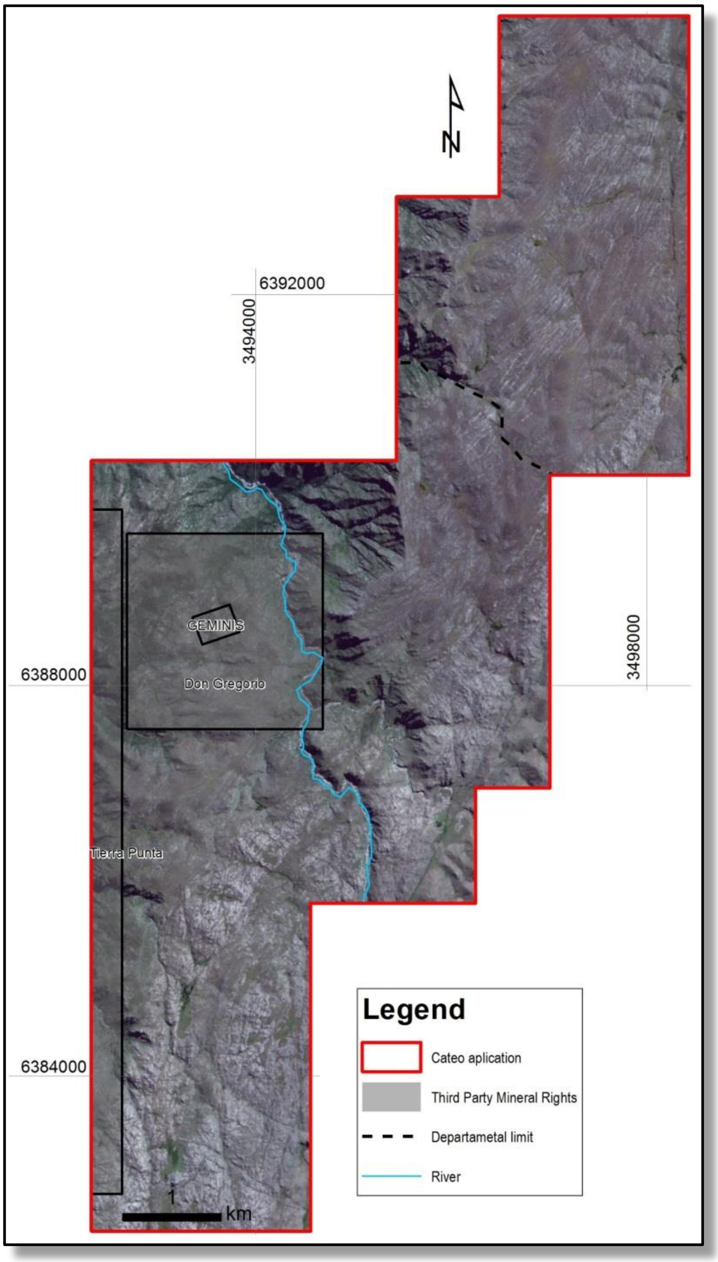


Figure 8 – Plan of the San Francisco Exploration Claim. The Geminis mine surrounded by the claim was exploited for spodumene last century.

The Company has claimed a significant land package with good potential for significant lithium bearing pegmatite mineralisation and is proceeding with the formalities required to commence exploration of the concessions. Clearly the Maria del Huerto mine concession is a significant addition to Latin's lithium portfolio in Argentina and is ripe for contributing to Latin's Lithium resource generation program in the near future.

Drilling at Maria del Huerto will commence once the environmental study along with the drill permits are approved by the San Luis mining authorities which is expected to occur early 2017. The resource will be defined according to the JORC code mineral resource estimates should the data produced allow such estimates to be prepared.

REVIEW OF OPERATIONS

ANSOTANA – (SALTA, ARGENTINA)

Latin Resources announced that they had signed a binding term sheet for the acquisition, via an earn-in agreement, of the Ansotana group of concessions in Salta, Argentina. The 24 concessions, subject to the Binding Term Sheet, cover approx. 44,290 hectares in the El Quemado pegmatite district. The project is located approximately 75 kilometres west from the city of Salta. The 60km long El Quemado pegmatite district is the most northerly of the various pegmatite districts in the 800km long Argentine Pampean Pegmatite province. These pegmatites are known to range in strike length up to 800m with widths up to 40m. The Ansotana mine produced commercial quantities of tantalum and bismuth. They are also known to contain the commercially important lithium minerals spodumene, amblygonite and Lepidolite.

This earn in agreement will potentially further allow Latin Resources to secure known lithium targets to build on its already substantial portfolio of lithium exploration concessions in the Catamarca district of Argentina.

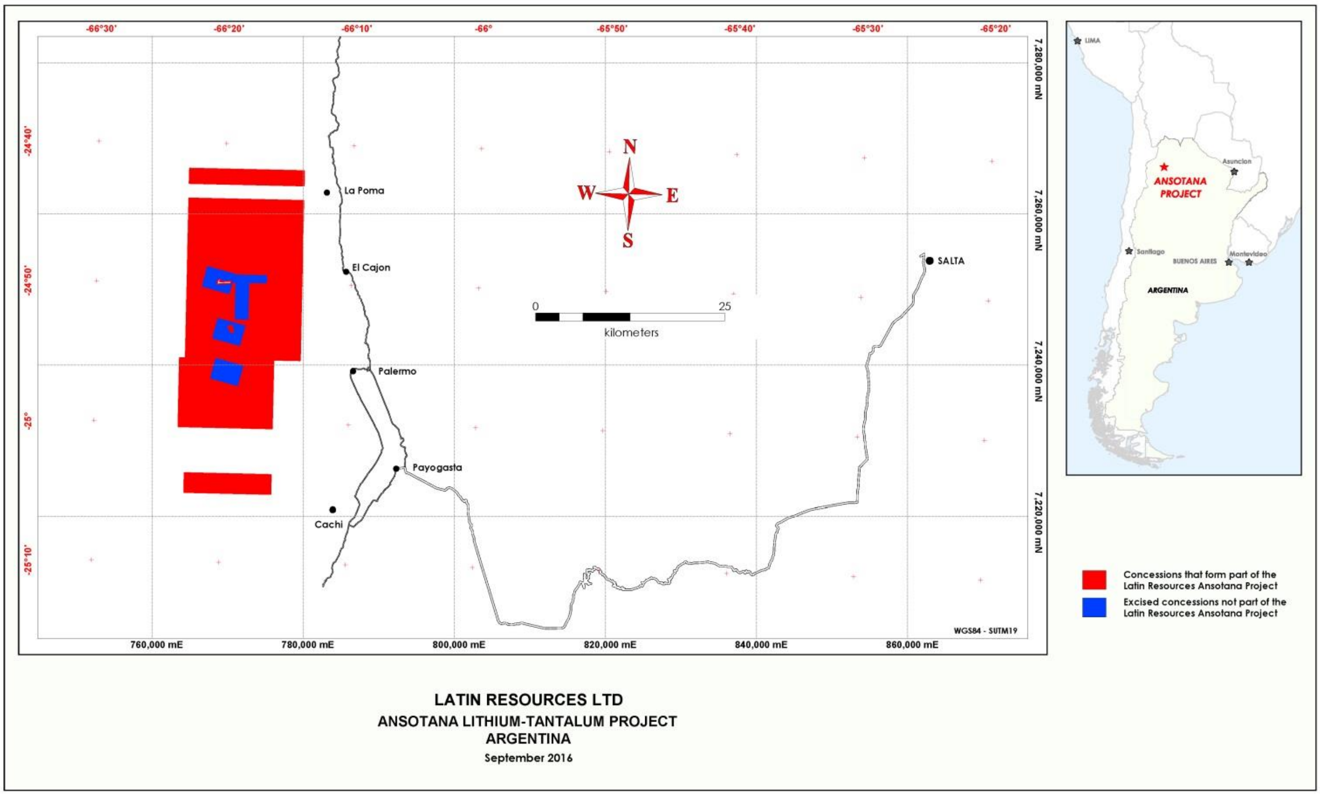


Figure 1: Location of the Ansotana Pegmatite Project, (grey line is access route from Salta) in the mining friendly Salta Province, host to one of the world's richest source of lithium. The 24 Ansotana concessions total approx. 44,290 hectares.

The consideration for a 90% interest in the Ansotana Projects shall, subject to necessary Latin shareholder and regulatory approvals, be divided into (i) the delivery to Minera Ansotana S.A./Mr Enrique Vidal ("Vendor") of US$10,000 in cash and US$1,000,000 equivalent shares over a 36 month period in accordance to the schedule detailed in Annex "A" (ii) the delivery to Vendor of U$2M payments divided in four US$500K instalments payable 6, 12, 18 and 24 months as from the delivery of the feasibility report described below; and (iii) Latin providing an exploration capital contribution of US$3,000,000 over a 3 year period in a Newco entity controlled by the Vender with security over Newco held by Latin Resources.

Furthermore, Latin Resources can elect to directly fund a Bankable Feasibility Study or a Decision to Mine report (the "Report") and, if positive, the construction of a plant (the "Plant") and necessary additional equipment designed to commercially produce Lithium and tantalum, in accordance with the recommendations of the Report if viable under the Report within a 4-year period as of the closing of the capital contribution period detailed in the above paragraph (total 7-year period).

1. **Due Diligence**: **LRS** will have an exclusive sixty (60) days period to conduct its due diligence on the Projects from the effective entering to the Properties by LRS. (“Due Diligence Period”).

2. **Purchase Agreement:** Upon the expiry of the Due Diligence Period **LRS** and **Vendor** will have an exclusive period of fifty (50) days to execute a formal agreement to record the terms of the investment for the Purchase and Earn-In (“**Project Agreement**”) and incorporate and transfer the Projects to the Joint Venture Entity (the “JVE”).

3. **Earn-In:** Subject to expiry of the Due Diligence Period and **LRS** deciding at its election to proceed to enter into the Purchase Agreement, **the Vendor** will give **LRS** the right to earn up to 90% of the JVE subject to the following terms and conditions:

   a) LRS shall conduct an exploration program, which is estimated in US$3,000,000 in expenditures during a 3-year term. On completion of the exploration program **LRS** will have earned-in 90% of the JVE.

   b) On completion of the exploration programs, **LRS** will have the right, and subject to any necessary LRS shareholder or regulatory approval, to make a further investment for exploration to enable the development of the Feasibility Report and, if positive, the construction of the Plant.

   c)In that event, LRS shall finance the construction of the Plant to produce Lithium, Tantalum and other minerals that the Report justifies development, without the dilution to Vendor of his 10% free carry participation, carrying the Vendor until the Plant commences commercial production of Lithium in accordance with the recommendations of the Report (“The Plant”).

4. In addition to its 10% participating interest in the JVE and the Vendor shall have to receive, free carry interest , of up to 40% of the tantalum, niobium, beryllium concentrates that the Plant produces. For clarity, any Lithium material shall be distributed 90% LRS and 10% to the Vendor and any of the non-lithium material (tantalum, niobium, beryllium) shall be distributed 60%LRS and 40% Vendor in the most efficient way for the development of the Project in accordance to the Report.

Timing of issue of Shares “Annex A”

Date	New Consideration
Signing of binding agreement	$10,000
6 months	$150,000 worth of shares *
12 months	$250,000 worth of shares*
18 months	$200,000 worth of shares*
24 months	$200,000 worth of shares*
30 months	$100,000 worth of shares*
36 months	$100,000 worth of shares*
TOTAL	**$1,010,000**

*the Latin Resources shares to be issued will be valued at 30 day VWAP at time of issue

** Issue of shares is subject to Purchase Agreement being executed and necessary LRS shareholder and regulatory approvals

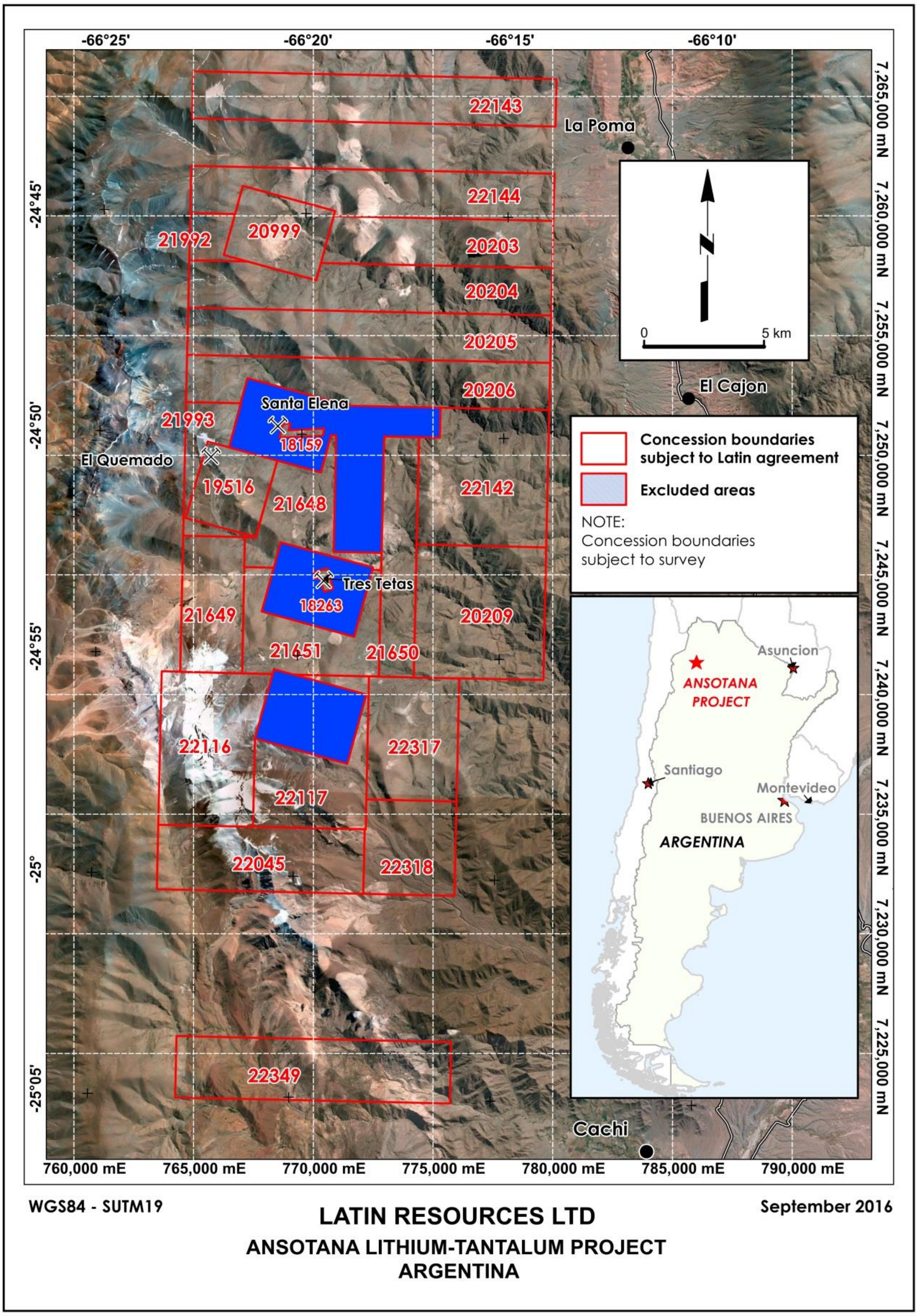
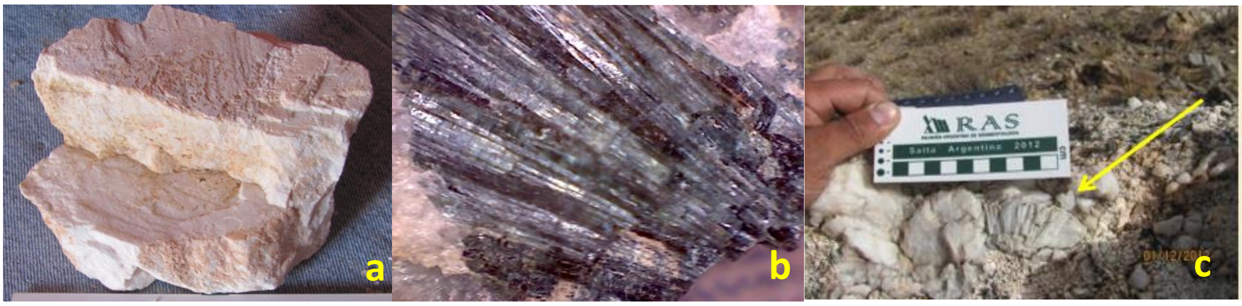


Figure 2: The concessions of the Ansotana Projects. The 24 Ansotana concessions total approx. 44,290 hectares.

Pegmatites showing lepidolite veins, tourmaline and columbite etc

Lepidolite – lithium mica



a) Weathered spodumene, b) Tourmaline var. Elbite, c) Beryl crystal in outcrop (arrow)

Figure 3: Photos of mineralized pegmatite, Ansotana lithium - tantalum project [1]

GEOLOGY

Pegmatites of the Ansotana project:

Various studies of pegmatites of the Ansotana group of pegmatites have been reviewed: Herrera (1964), Rossi (1965), Fernández Lima et al. (1970), Marconi (1972), Balmaceda (1982), Balmaceda and Kaniefsky (1982), Lottner (1983), Acosta et al. (1988) and Galliski (1983, 1992a, 1994a, 1994b) & Méndez et al (2006).

The Ansotana Project is located in the El Quemado pegmatite district. The 60km long El Quemado pegmatite district is the most northerly of the various pegmatite districts in the 800km long Argentine Pampean Pegmatite province. The Ansotana project consists of 24 concessions covering approx. 44,290 hectares. For details see list appended at end.

Lithium rich complex pegmatites are intrusive into a metamorphic Pre-Cambrian basement (the Puncoviscana Formation) comprised of shales, sandstones, greywacke and quartzite generally affected by a low grade, dynamic

[1]Photos supplied by vendor

regional metamorphism resulting in a series of phyllites, slates and schists. The rocks are intruded by a series of trondhjemites and associated pegmatite bodies referred to as the Cachi Formation.

The Ansotana Project Concession group contains numerous complex rare metal pegmatites, some of which have previously produced Tantalite – Columbite ("Coltan") and bismuth. Historical production is reportedly some 10 tonnes of tantalite – columbite concentrates grading 40% Ta_2O_5 and some 5 tonnes of Bismuth concentrates with a reported grade of 50% Bi.

These pegmatites are known to range in strike length up to 800m with widths up to 40m. 2 They are complex zoned Li-Ta-Nb-Be rich pegmatite bodies some of which are known to have historically produced varying amounts of tantalite-columbite and bismuth concentrates. They are also known to contain the commercially important lithium minerals spodumene, amblygonite and Lepidolite 3 – but the quantities are not known as there has been no previous exploration for these minerals within the Ansotana region.

About Tantalum

The major use for tantalum (Tantalite), as the metal powder, is in the production of electronic components, mainly capacitors and some high-power resistors. It is part of the refractory metals group, which are widely used as minor components in alloys. The chemical inertness of tantalum makes it a valuable substance for laboratory equipment and a substitute for platinum. Its main use today is in tantalum capacitors in electronic equipment such as mobile smart phones, DVD players, video game systems and computers. The current price of tantalum/tantalite is USD$130 per kilo or USD$130,000 per tonne.

Tantalum Market

The primary mining of tantalum is in Australia, where the largest producer, Global Advanced Metals, formerly known as Talison Minerals, operates two mines in Western Australia, Greenbushes in the Southwest and Wodgina in the Pilbara region. It is also mined in Africa.

In more recent times Pilbara Minerals' 100%-owned Pilgangoora Lithium-Tantalum Project, located 120km from Port Hedland in Western Australia's resource-rich Pilbara region, is one of the biggest new lithium ore (spodumene) Tantalum deposits in the world,

The most recent Pilbara Mineral Resource update, published in July 2016 and incorporating the results of successful in-fill drilling completed from February to June 2016, comprises a Measured, Indicated and Inferred Resource of 128.6 million tonnes grading 1.22% Li_2O (spodumene) and 138ppm Ta_2O_5(tantalum) containing 1.57 million tonnes of lithium oxide and 39 million pounds of Ta_2O_5.

[2] Mendez, Vicente, Nullo, Francisco E. and Otamendi, Juan 2006
[3] Galliski, M.A., Marquéz Zavala, M.F., Saavedra, J., 1999 & Mendez, Vicente, Nullo, Francisco E. and Otamendi, Juan 2006

REVIEW OF OPERATIONS

ILO SUR – PACHAMANCA / MT-03 (PERU)

Latin Resources announced in July 2016, that it's 100% owned subsidiary Peruvian Latin Resources SAC ("PLR") had signed an earn-in agreement with the Peruvian Subsidiary of First Quantum Minerals Ltd., Minera Antares Peru SAC ("Antares").

First Quantum Minerals is the largest copper producer in Canada and the Binding Terms Sheet ("BTS") documents the terms of a rights assignment and earn-in option to transfer up to 80% ownership of Latin's Pachamanca/MT-03 copper project to Antares.

The rights assignment and earn-in option is given in return for a total consideration of US$0.5 million cash and exploration work, resource estimation and development studies sufficient to support a decision to mine resources containing in excess of 1 million tonnes of copper metal or equivalent.

Following completion of geophysical surveys, the BTS is to be formalised at Antares' election as a definitive contract according to Peruvian Law by 30 September 2016. On signing the definitive contract, Antares will be assigned rights and an initial option by PLR to earn 51% of the 8,900 hectares of concessions hosting the Pachamanca/MT-03 covered porphyry copper target.

Antares will obtain all permits required for initial and advanced drilling phases, and once obtained, will have up to 4 years to undertake drilling and technical studies to support a JORC resource estimate of at least 1 million tonnes of copper metal (or equivalent) to earn 51% of the project.

During this option phase, the following cash payments will be made by Antares to PLR:

Payment Trigger	Payment Amount
8 months following granting of all permits to complete initial drilling phase	US$ 50,000
20 months following granting of all permits to complete initial drilling phase	US$ 75,000
32 months following granting of all permits to complete initial drilling phase	US$ 100,000
44months following granting of all permits to complete initial drilling phase	US$ 125,000
56 months following granting of all permits to complete initial drilling phase	US$ 150,000
TOTAL	**US$ 500,000**

On earning 51% of the project, a second option to earn an additional 29% of the Project is granted. To earn this total of 80% of the project, Antares must provide to PLR the technical documentation of work completed to support a decision to mine. PLR will be free carried up to a decision to mine.

Following a decision to mine PLR and Antares will contribute to funding according to their respective participation, or be diluted. Antares will have an option to buy PLR's remaining 20% share based on an independent valuation of the Project.

In the event PLR is diluted below 10% participation, the participation will convert to a 2% Net Smelter Return (NSR) which is the net revenue from the sale of the copper less transportation and refining costs. Antares will have the right to reduce this by 1% in return for a US$40 million cash payment to PLR.

The assignment of rights and earn-in option are given over the mining concessions Fremantle 7, Dockers 1, Dockers 2, Dockers 3, Dockers 4, Vandals 1, Vandals 2 and Latin Morrito 2 totalling 8,900 hectares.

ABOUT PACHAMANCA/MT-03

Geophysics

A 5 km diameter circular feature observed in the analytical signal processed from aero-magnetic data (Figure 1), shows a donut shaped low (possibly a phyllic alteration zone) surrounding a central high (possibly a potassic alteration zone). Interpreted Andean and cross arc structures also intersect in the target area. Together these features qualify as a potential large copper porphyry target in an area of the Southern Peru copper belt that is completely covered by recent sediments.

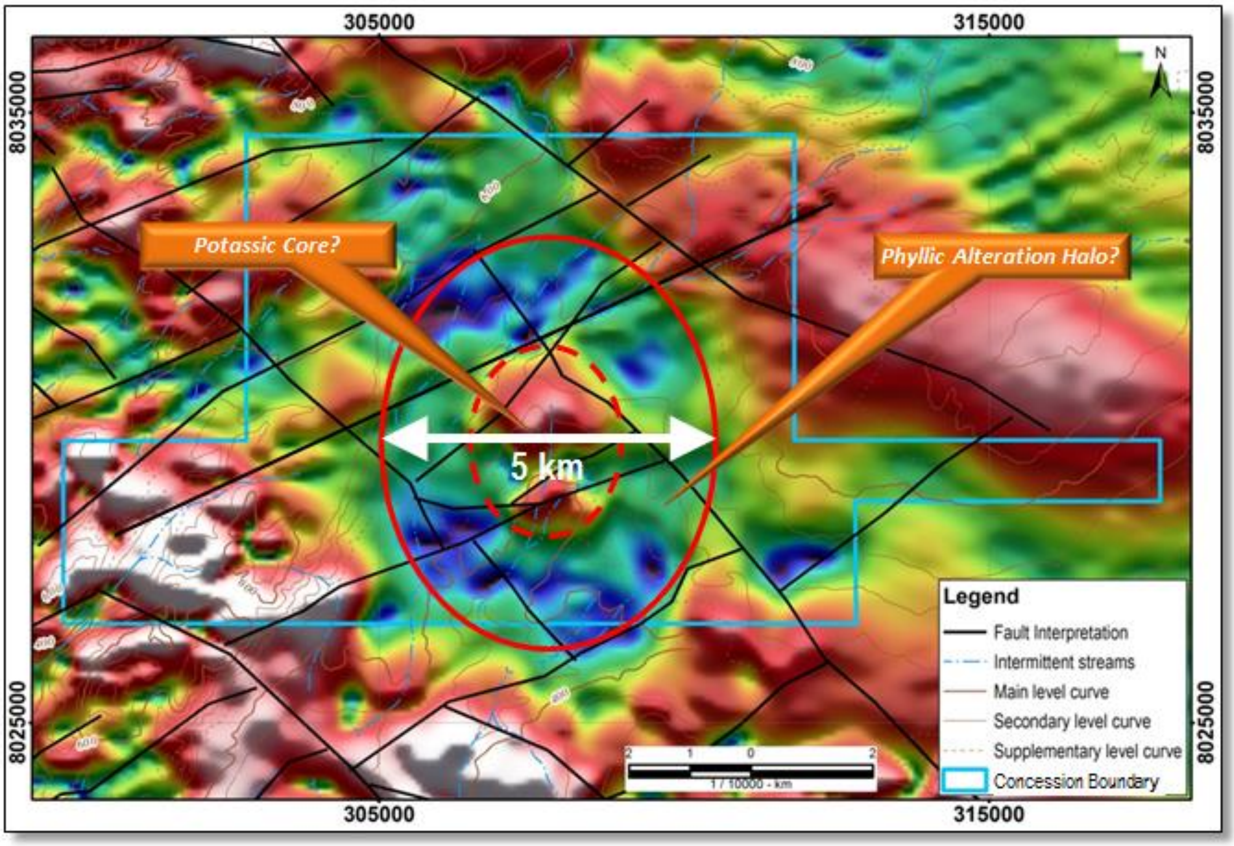


Figure 1 – Analytical Signal image of aeromagnetic data with 5 km diameter donut shaped low possibly representing the phyllic alteration zone, surrounding a central high possibly representing the potassic alteration zone of a copper porphyry system. NW trending Andean structures, and NE trending cross arc structures bound the central high. The area is completely covered.

Geology

The geology is dominated by extensive alluvial and young volcanic deposits in the low coastal ranges, obscuring the underlying rocks and any host mineralisation (Figure 2). Outcropping intrusive rocks to the immediate west of the target area together with a geomorphological assessment of the area suggest the cover may be less than 200 m thick.

REVIEW OF OPERATIONS

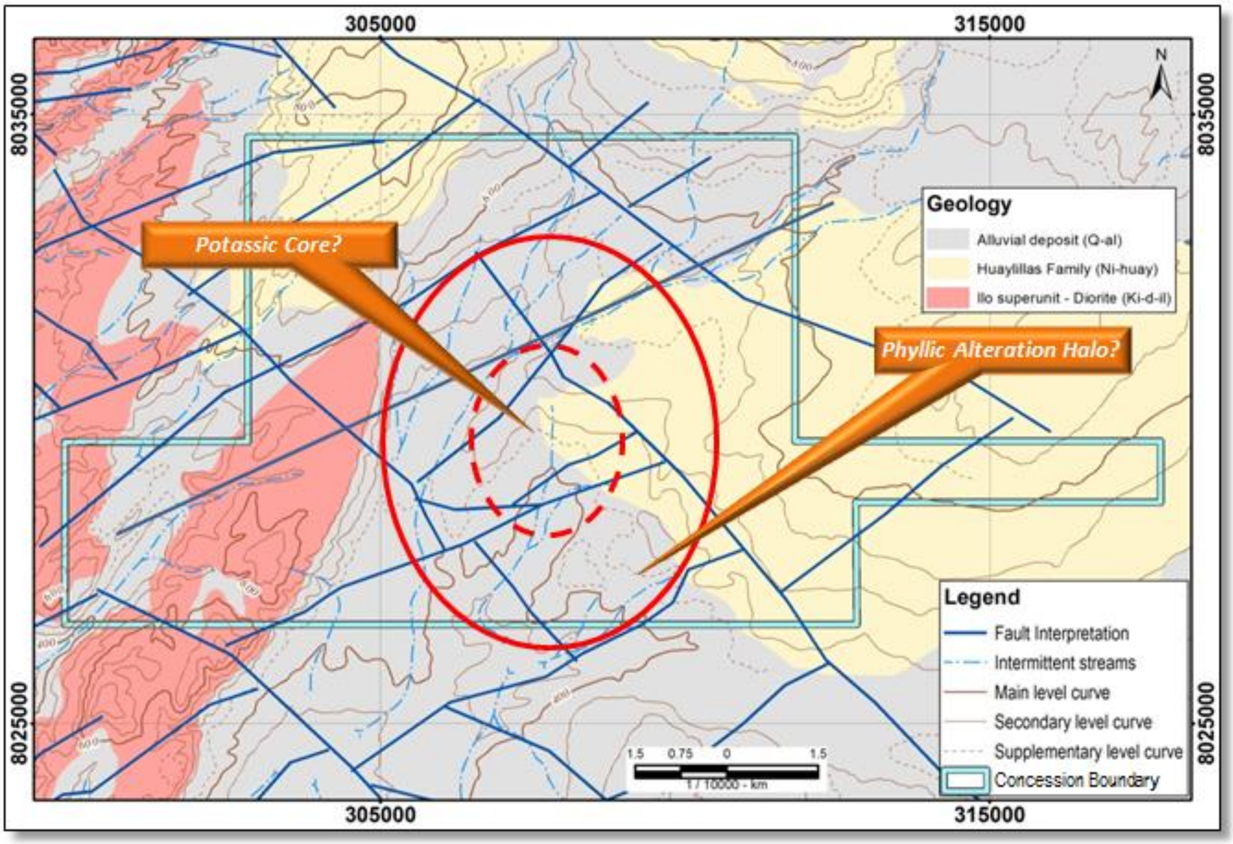


Figure 2 – Geology Map showing the donut anomaly completely covered by alluvium (grey) and young volcanics (yellow), and flanked to the west by outcrops of Diorite Intrusive, part of the coastal batholith.

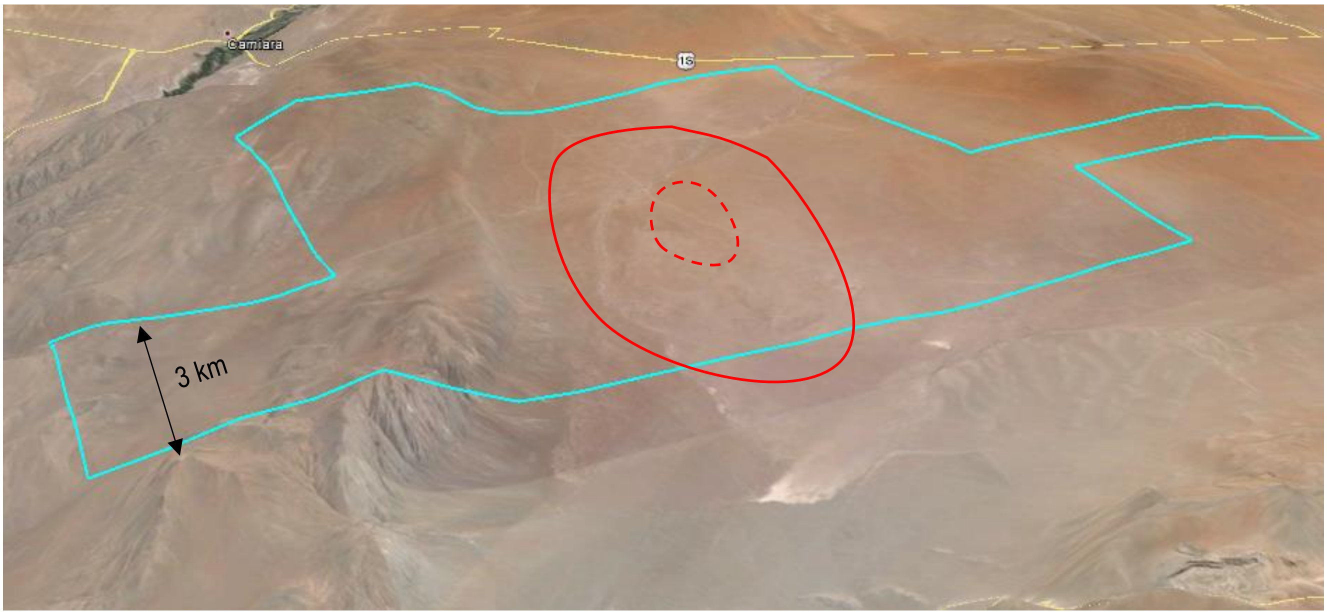


Figure 2a – Oblique aerial view of the Project area (cyan), showing relatively flat, covered terrain around the anomaly (red). The Pan-American Highway crosses the top of the view (yellow).

Antares is continuing with an IP survey over the target which is expected to provide targets for a subsequent drilling campaign to confirm the presence of a suitable mineralised system.

Infrastructure

The Pachamanca/MT-03 target area is located between 400 m and 600 m altitude in uninhabited desert of the Tacna Region, adjacent to the Panamerican Highway and high tension transmission lines. There are 80 km of sealed highway between the project area and the port of Ilo. Such magnificent infrastructure located so close to the project would significantly reduce development capital compared with other large porphyry deposits located higher in the Andes.

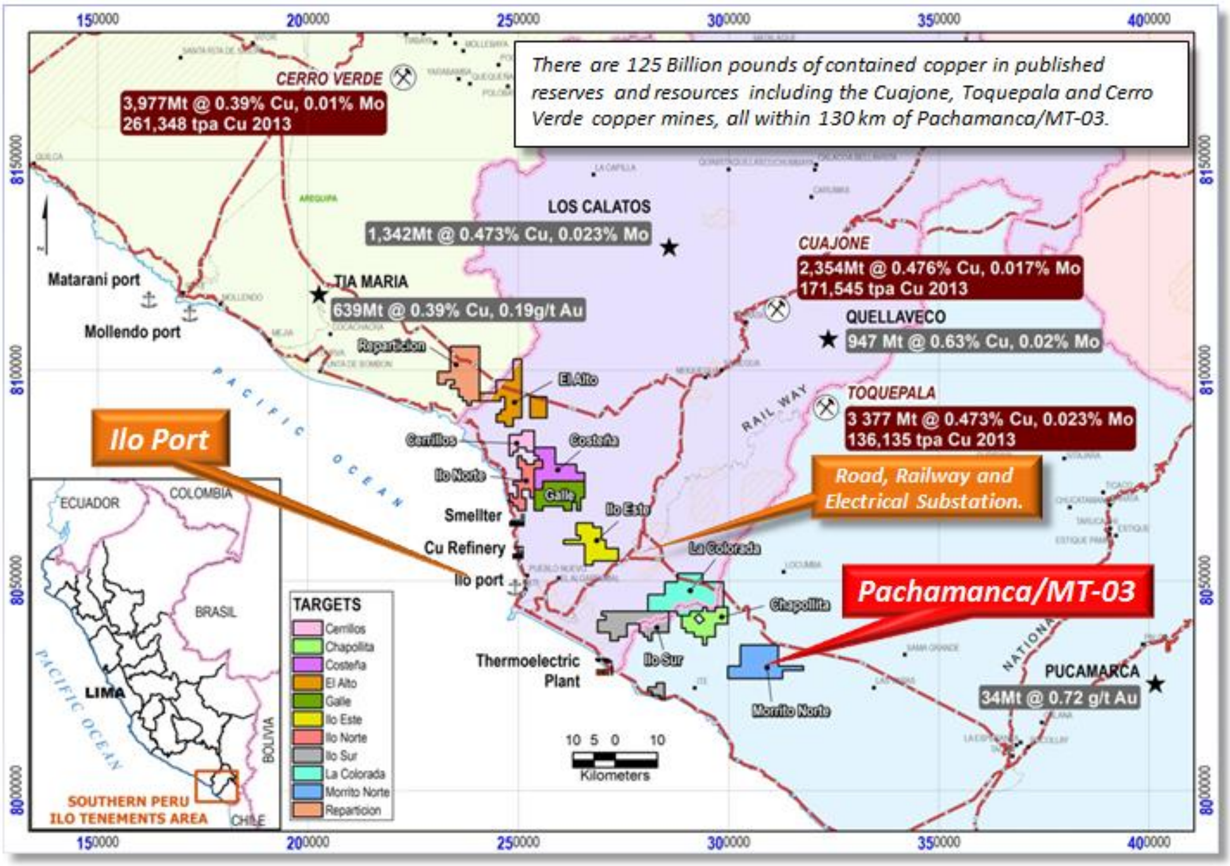
REVIEW OF OPERATIONS

Southern Peru's Prolific Copper District

The Western flanks of the Andes in Southern Peru host a number of Tier one Porphyry copper deposits including Cerro Verde (4Bt @ 0.39% Cu, 0.01% Mo), Toquepala (3.4Bt @ 0.47% Cu, 0.023% Mo) and Cuajone (2.4Bt @ 0.48% Cu, 0.017% Mo), each of which produced 261,348, 136,135 and 171,545 tonnes of copper respectively in 2013, and together accounted for over 40% of Peru's 2013 copper production.

In addition the Quellaveco (947Mt @ 0.63% Cu, 0.02% Mo), Tia Maria (639Mt @0.39% Cu, 0.19 g/t Au), and Los Calatos (1.4Bt @ 0.47% Cu, 0.023% Mo) projects are under development.

All these projects are within 130 km of Pachamanca/MT-03.



Location of Pachamanca/MT-03 Project within Latin's over 47,000 hectare concession holding in the prolific Southern Peru copper district.

ILO ESTE – (PERU)

The Ilo Este project, Compañia Minera Zahena SAC (Zahena) completed a total of nine drill holes for 5,322.1 m of diamond drill core (Table 1) at Latin's Ilo Este Porphyry Copper Project, and had terminated the option and assignment agreement announced in July 2015.

Six of the holes were sampled and assayed, results for one of which (IE-DDH-010-15) were reported 25 January 2016. Results of assays from the remaining five holes assayed had been provided by Zahena, and in general show no improvement over the lower grades reported previously. A summary of these results is presented in Appendix 1. Three holes were not mineralised and were not sampled or assayed.

Table 1 – Collar information of the nine holes completed at Ilo Este by Zahena.

Hole ID	Easting (m) WGS84	Northing (m) WGS84	Elevation (m)	Azimuth (degrees)	Declination (degrees)	Depth (m)
IE-DDH-010-15	270705	8057861	902	45	-70	561.80
IE-DDH-008-15	270899	8056796	883	0	-90	512.80
IE-DDH-005-15	268831	8057041	864	0	-70	679.50
IE-DDH-009-15	269993	8055994	796	0	-90	560.00
IE-DDH-007-16	270250	8057250	915	225	-70	544.90
IE-DDH-011-16	269874	8057373	870	0	-70	701.60
IE-DDH-006-16	271200	8057500	1000	225	-70	610.50
IE-DDH-002-16	269140	8057290	912	330	-65	650.00
IE-DDH-012-16	271800	8057200	935	0	-70	501.00

Holes marked in beige were not sampled due to the lack of mineralisation.

The mineralised porphyry system is confirmed as being very large, and while potential may exist for higher grade phases within the relatively broad drill pattern executed by Zahena and previously by Latin, further investment to test for such mineralisation was abandoned by Zahena.

The Company will continue to evaluate the results and consider the future of the project in the context of its strategy to seek third party direct investment to advance exploration of its Peruvian Copper projects.

GUADALUPITO ANDALUSITE PROJECT – NORTHERN PERU

The Company suspended further work on Guadalupito, limiting spending on the Project until a suitable partner can be found to invest directly into the project.

Discussions continue with a number of parties and the company expects a result from these when prices in mineral sands rise according to demand.

OTHER ILO COPPER PROJECTS – SOUTHERN PERU

Ilo Norte IOCG Project

Interest remains high from potential project level investors in the Ilo Norte Project, drilled by Latin in 2011 and by Zahena in 2014, that is well placed with respect to infrastructure, community and environment. At the release date of this report, two separate site visits are being coordinated to the Ilo Norte project which the Company still believes holds good potential for an IOCG deposit of sufficient size and grade to support an underground operation in a very friendly location with respect to infrastructure, permitting and approvals.

REVIEW OF OPERATIONS

Corporate Social Responsibility (CSR), Environment and Safety

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

Safety is paramount in all Latin's activities, and the company has had an exemplary record to date with no lost time injuries of employees on any Project.

Corporate

Latin Resources announced on the 9 May 2016, that it had entered into a binding term sheet that details key commercial terms agreed upon by LRS and Lepidico Limited (LEP) to create a joint-venture which would seek to acquire and advance lithium projects in Argentina and Peru.
Lepidico owns the L-Max technology developed by Strategic Metallurgy Pty Ltd, a metallurgical process that has the potential to commercially extract lithium and other by-products from non-conventional sources, specifically mica minerals such as lepidolite and zinnwaldite, and provide lithium chemicals for the burgeoning electric battery market. This agreement was determined in May 2016.

On the 16 November 2016, Latin announced the appointment of Kerry Griffin Bsc (Geol), Dip Eng Geol, MAIG as their Exploration and Development Manager.
Kerry has approximately 21 years professional experience in mining geology, resource development and exploration in Australia, Africa, South America and Asia including senior roles with such companies as Newcrest Mining, Sons of Gwalia, Consolidated Minerals, Ivanhoe Mines, Aspire Mining Limited, Haranga Resources Limited, Lindian Resources Limited and Altan Rio Ltd.
After graduating from the University of Canterbury in 1993, Kerry began his career as a mine geologist at Telfer Gold Mine and has since had extensive hands on experience in mine development and management, designing and managing exploration and resource drilling programs, resource modelling and estimation, the management and training of geological/technical teams, business development and corporate affairs.
His experience includes five years with Ivanhoe Mines as the Senior Development Geologist during the discovery and development of the world class Oyu Tolgoi Project. Also in Mongolia, Kerry was responsible for the identification, acquisition and management of Aspire Mining's Ovoot Coking Coal Deposit and the resource development of Haranga Resources Selenge Iron Ore Project.
Kerry was Chief Geologist for two years at the Wodgina pegmatite hosted tantalum mine and recently managed a large scale Ta/Sn Greenfields pegmatite exploration project in Mashonaland, NE Zimbabwe.
Kerry is both a Competent Person under JORC and a Qualified Person for 43-101 reporting.

Latin announced in December 2016, that an agreement had been reached between the Company and its Managing Director Mr Chris Gale to extend his consultancy agreement with the Company for a further period of three (3) years. The new contract which came into effect on 1 October 2016, will see Mr Gale continue in the role as Managing Director of the Company until at least October 2019.
A summary of some of the key terms of the new contract are as follows:

- **Term**: From 1 October 2016 until 30 September 2019 or either the Company or Mr Gale terminates the Contract.

- **Remuneration Fee**: From 1 October 2016, the total fixed remuneration is A$300,000 per annum.

- **Uplifts in Remuneration Fees**: As part of an incentivization package, provisions have been made for uplifts to the remuneration payable in the event of an increase in the market capitalisation of the Company.

In August 2016, the Company completed a Placement of $3.4 million to sophisticated and professional investors with PAC Partners Pty Ltd and EverBlu Capital Pty Ltd acting as joint lead managers. Pursuant to the Placement, the Company issued a total of 309,090,909 shares at a price of $0.011 per share ("Placement"). In addition, the Company issued 1 free attaching listed option for every 2 shares subscribed for in the Placement at an exercise price of $0.02 on or before 9 March 2017, following receipt of shareholder approval at a General Meeting of shareholders held 31 October 2016. A further 2,000,000 Shares and 29,500,000 Options were issued to brokers and advisors for capital raising and corporate advisory services provided.

The funds raised from the Placement were used to secure the lithium bearing pegmatite properties identified in Argentina, expedite further exploration work and for working capital.

Following receipt of shareholder approval at the General Meeting held 31 October 2016, the Company issued 60,693,609 Incentive Rights to the Managing Director in accordance with the Incentive Rights Plan approved by shareholders on 30 November 2014, and the remuneration policy of the Company.

Competent person statements

The mineral resources statement in this Annual Report is based on, and fairly represents, information and supporting documentation prepared by a competent person or persons. The mineral resources statement as a whole has been approved by Mr Kerry Griffin, who is a consultant of Latin Resources Limited. Mr Griffin consents to the inclusion of the mineral resources statement in the form and context in which it appears in the Annual Report.

The information in this report that relates to Geological Data and Exploration Results 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 is 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 subsidiary (together the Group) for the year ended 31 December 2016.

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)

Mr Vilensky is a practising corporate lawyer and the managing director of Perth law firm Bowen Buchbinder Vilensky. He has more than 30 years experience in the areas of corporate and business law and in commercial and corporate management. Mr Vilensky practises mainly in the area of mining and resources, corporate and commercial law, trade practices law, contract law and complex dispute resolution. Mr Vilensky acts for a number of listed and private companies and is also the non–executive chairman of Zambezi Resources Limited, an ASX listed company focusing on copper exploration in Zambia.

Other directorships of Australian listed companies held by Mr Vilensky in the last three years are:
Current: Zambezi Resources Limited

CHRISTOPHER GALE (Managing Director)

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.

Chris is the current Chairman of the Council on Australian Latin American Relations (COALAR) established by the Australian Government Department of Foreign Affairs and Trade (DFAT). 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).

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 14 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).

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	Share options Number
David Vilensky	10,912,942	-	-
Chris Gale	7,345,028	57,031,642	2,000,000
Brent Jones	43,029,147	-	-

Company secretary

SARAH SMITH (appointed 31 May 2016)

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 2016 was $7,844,976 (2015: $12,183,490).

The result comprises the impairment of exploration and evaluation expenditure of $4.9m (2015: $18.2m), finance expenses of $1.5m (2015: $1.9m) and other income and expense items $1.5m (2015: $0.9m).

ASSETS

Total assets decreased by 20% or $2.9 million during the year to $11.2 million. The movement primarily comprised a reduction in the carrying value of exploration and evaluation assets ($3.328 million) and the receipt of R&D funds therefore reducing the trade and other receivables balances ($0.996 million) offset against the increase in cash ($1.307 million).

LIABILITIES

Total liabilities reduced by 18% or $1.6 million to $7.5 million during the year. The fall was mainly due to a reduction in trade and other payables ($1.1m) and reduction in interest bearing loans and borrowings ($1.0m) offset against the increase in deferred consideration for the Guadalupito project resulting from foreign exchange movements ($0.8m).

EQUITY

Total equity decreased by 26% or $1.3 million during the year to $3.7 million. The decrease reflects the loss of $7.8 million for the year, partially offset by increases in Contributed equity of $5.8 million, from placements and the settlement of creditors and interest bearing loans and borrowings, an increase in Reserves of $0.7 million from foreign currency translation movements of $0.4 million and share based payments of $0.3 million.

SHAREHOLDER RETURNS

The Company's share price increased during the period as the Company defined a new 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 2016**	**December 2015****	**December 2014****	**December 2013^***	**June 2013^ ****
Loss attributable to the Group ($)	(7,844,976)	(12,183,490)	(5,828,378)	(1,093,216)	(8,308,465)
Basic loss per share (Cents)	(0.63)	(2.41)	(2.17)	(0.49)	(4.24)
Dividends ($)	Nil	Nil	Nil	Nil	Nil
Closing share price ($)	0.012	0.005	0.023	0.070	0.080
Total shareholder return (%)	140	(78)	(67)	(13)	(68)

* Denotes six months period
** Denotes twelve month period
^ The results have been restated to reflect a prior period adjustment

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 2016.

Liquidity and capital resources

The Group's principal source of liquidity as at 31 December 2016 is cash and cash equivalents of $1,338,668 (2015: $32,076).

Funding for 2017 is expected from a combination of existing and new Research and development grants, further capital raisings, potential conversion of options and proceeds from the sale of interests in existing projects.

Shares, share rights and options

As at 31 December 2016 the Company had 1,577,398,098 fully paid Shares on issue, 390,369,653 Share Options and 78,099,131 Share Rights on issue.

SHARES

A total of 684,829,270 shares were issued during the year. A breakdown of the shares issued is shown at Note 20 of the financial statements

SHARE RIGHTS

During the year a total of 60,693,609 share rights were issued to directors and employees and 7,024,483 share rights were cancelled due to resignations in accordance with the deferred rights plan approved by shareholders on 27 May 2014.

OPTIONS

During the year 185,607,950 options were issued and 10,006,375 were exercised. Options totalling 154.5 million were issued to investors who participated in the placement announced on 15 August 2016, 1.6 million options were issued to creditors to settle amounts owed by the Company and a total of 29.5 million options were issued to brokers in accordance with the terms of their engagement.

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.

Convertible securities

During the year, the Group extinguished in full the borrowings outstanding per the convertible notes with The Australian Special Opportunity Fund LP (ASOF) and Magna Equities 11 LLC.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Company 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

On 25 January 2017, the Company announced that the environmental impact study and drill permit for the Catamarca lithium project has been approved with the Catamarca Environmental and Mines departments with drilling commencing immediately.

On 8 February 2017, the Company announced that it had commenced reverse circulation drilling at it's 100% owned Ancasti Lithium Project in Catamarca, Argentina. On 8 March 2017, the Company confirmed that drilling is near completion and that first analysis results had been received from the drilling programme.

On 7 March 2017, the Company advised that it had applied for 3 exploration licences in the La Roija Province in Argentina to explore primarily for cobalt.

On 15 March 2017, the Company advised that it had issued 14,054,768 fully paid shares following the exercise of options to raise $281,095.

On 17 March 2017, the Company advised that it had issued 7,403,798 fully paid ordinary shares following the vesting of incentive rights and deferred rights.

Likely developments and expected results

In 2017 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 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 2016 and the number of meetings attended by each director is as follows:

Director	Board meetings held	Board meeting attended
David Vilensky	9	9
Chris Gale	9	9
Brent Jones	9	9

Committee membership

During the year the Group 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.

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 for the year is as follows:

	31 December 2016		31 December 2015	
	Female	**Male**	**Female**	**Male**
Board	-	100%	-	100%
Executive	-	100%	-	100%
Group	60%	40%	29%	71%

Auditors' independence declaration

The auditors independence declaration is set out on page 73 and forms part of the Directors' report for the year ended 31 December 2016.

Non-audit services

Non-audit services provided by the Group's auditor Stantons International during the year ended 31 December 2016 is shown at Note 29 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 2016 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

Other Executives

Sarah Smith	Company Secretary
Kerry Griffin	Exploration and Development 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.

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-executive directors of comparable companies and scope and extent of the Companies 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 but do not receive retirement benefits, nor do they participate in any incentive programs.

No options or share rights were awarded to non-executive directors as remuneration during the period.

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 used in 2014 was 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 2017 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 Remuneration committee through a process that considers individual performance, Group performance and market conditions.

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 2016.

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 2016, 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.

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 and Development Manager

The Exploration and Development Manager is employed under a consultancy agreement with a fee of USD$1,000 per day for a six month term ending on 14 May 2017 which can be extended by mutual agreement.

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.

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.

REMUNERATION OF KEY MANAGEMENT PERSONNEL AND EXECUTIVES FOR THE YEAR ENDED 31 DECEMBER 2016

	Short-term benefits			Post employment		Other long-term benefits	Share-based payments		Total	Performance related	Equity compensation
12 months to 31 Dec 2016	**Salary & Fees $**	**Bonus $**	**Non-cash benefits $**	**Super $**	**Other $**	**Long service leave $**	**Share rights $**	**Shares $**	**$**	**%**	**%**
Directors											
D. Vilensky	64,800	-	-	-	-	-	58,682[1]	-	123,482	-	48
C. Gale	403,200[10]	-	-	-	-	-	124,660[2]	-	527,860	16	24
B. Jones	52,361[3]	-	-	-	-	-	-	-	52,361	-	-
Other KMP											
A. Begovich[4]	66,294	-	-	7,075	-	-	10,767[1]	4,268[9]	88,404	-	17
A. Bristow[5]	72,932	-	-	-	-	-	30,093[1]	-	103,025	-	29
C. Spier[6]	11,355	-	-	1,079	-	-	14,359[1]	-	26,793	-	54
S. Smith[7]	22,400	-	-	-	-	-	-	-	22,400	-	-
K. Griffin[8]	22,866	-	-	-	-	-	-	-	22,866	-	-
Total	**716,208**	**-**	**-**	**8,154**	**-**	**-**	**238,561**	**4,268**	**967,191**	**9**	**25**

[1] These amounts refer to share rights issued in accordance with the Deferred rights plan issued in April 2014 as approved by shareholders on 27 May 2014.
[2] These amounts refer to share rights issued in accordance with the Incentive rights plan approved by shareholders on 30 November 2014.
[3] This amount includes shares issued to directors in settlement of director fees payable. No value has been attributable to the listed options issued at the same time.
[4] Mr Begovich resigned 31 May 2016.
[5] Mr Bristow resigned in December 2016.
[6] Mr Spier resigned on 4 April 2016.
[7] Ms Smith joined the Company on 31 May 2016.
[8] Mr Griffin joined the Company on 16 November 2016.
[9] These amounts refer to shares issued to KMP to reward employees for services to the Company.
[10] Included in this amount is $66,000 relating to arrears of consulting fees for the 2015 year paid in the current year.

DIRECTORS' REPORT

REMUNERATION OF KEY MANAGEMENT PERSONNEL AND EXECUTIVES FOR THE YEAR ENDED 31 DECEMBER 2015

	Short-term benefits			Post employment		Other long-term benefits	Share-based payments		Total	Performance related	Equity compensation
12 months to 31 Dec 2015	**Salary & Fees $**	**Bonus $**	**Non-cash benefits $**	**Super $**	**Other $**	**Long service leave $**	**Share rights $**	**Shares $**	**$**	**%**	**%**
Directors											
D. Vilensky	64,800	-	-	-	-	-	58,682[1]	10,800[3]	134,282	-	52
C. Gale	277,200	-	-	-	-	-	42,381[2]	39,600[3]	359,181	8	23
B. Jones[6]	12,500	-	-	-	-	-	-	-	12,500	-	-
F. Li[5]	46,200	-	-	-	-	-	20,919[1]	8,400[3]	75,519	-	39
Z. Liu[4]	12,000	-	-	-	-	-	5,434[1]	4,000[3]	21,434	-	44
M. Rowbottam[4]	13,115	-	-	305	-	-	5,977[1]	4,400[3]	23,797	-	44
Other KMP											
A. Begovich	152,000	-	-	14,440	-	-	25,437[2]	32,850[3]	224,727	8	26
A. Bristow	200,486	-	-	10,621	7,825	-	30,093[2]	49,508[3]	298,533	7	27
C. Spier	108,517	-	-	4,655	-	-	33,924[2]	27,000[3]	174,096	13	35
Total	**886,818**	**-**	**-**	**30,021**	**7,825**	**-**	**222,847**	**176,558**	**1,324,069**	**7**	**30**

[1] These amounts refer to share rights issued in accordance with the Deferred rights plan approved by shareholders on 27 May 2014.
[2] These amounts refer to share rights issued in accordance with the Incentive rights plan approved by shareholders on 30 November 2012.
[3] These amounts refer to shares issued to directors and senior management as compensation for accepting a 20% reduction in cash remuneration for the year.
[4] Mr Liu and Mr Rowbottam resigned on 30 April 2015.
[5] Mr Li resigned on 1 December 2015.
[6] Mr Jones joined the Company on 14 September 2015.

ADDITIONAL DISCLOSURES RELATING TO REMUNERATION

(a) Share holdings of key management personnel

31 Dec 2016	Balance at start of year	Granted as remuneration	On exercise of options	Net change other	Balance at end of year
Directors					
D. Vilensky	6,589,479	-	-	-	6,589,479
C. Gale	19,367,615	-	-	(10,000,000)	9,367,615
B. Jones	32,587,343	3,906,234[4]	-	4,973,076	41,466,653
Other KMP					
A. Begovich	8,330,340	355,708[5]	-	(8,686,048)[3]	-
A. Bristow	2,033,854	-	-	(2,033,854) [3]	-
C. Spier	4,156,868	-	-	(4,156,868) [3]	-
S. Smith	-	-	-	-	-
K. Griffin	-	-	-	-	-
	73,065,499	**4,261,942**	**-**	**(19,903,694)**	**57,423,747**

31 Dec 2015	Balance at start of year	Granted as remuneration	On exercise of options	Net change other	Balance at end of year
Directors					
D. Vilensky	2,481,301	1,103,438	-	3,004,740	6,589,479
C. Gale	9,469,533	4,045,937	-	5,852,145	19,367,615
B. Jones[1]	-	-	-	32,587,343[1]	32,587,343
F. Li	349,153	858,228	-	(1,207,381)[2]	-
Z. Liu	-	179,443	-	(179,443)[2]	-
M. Rowbottam	6,803,065	319,808	-	(7,122,873)[2]	-
Other KMP					
A. Begovich	1,758,973	3,735,706	-	2,835,661	8,330,340
A. Bristow	2,300,979	5,644,027	-	(5,911,152)	2,033,854
C. Spier	1,653,387	3,274,451	-	(770,970)	4,156,868
	24,816,391	**19,161,038**	**-**	**29,088,070**	**73,065,499**

[1] This includes shares held by Mr Jones when he joined the Company on 14 September 2015.
[2] This represents the director's entitlements to shares in the Company up until their resignation less any other changes to their share holdings.
[3] This represents KMP entitlements to share rights in the Company up until their resignation.
[4] The value of these shares at the date of issue was $25,000.
[5] The value of these shares at the date of issue was $4,268.

(b) Share right holdings of key management personnel

31 Dec 2016	Balance at start of year	Granted as remuneration	Converted to Shares	Net change other	Balance at end of year
Directors					
D. Vilensky	4,414,552	-[2]	-	-	4,414,552
C. Gale	5,406,355	60,693,609[4]	-	(8,000,000)[1]	58,099,964
B. Jones	-	-[2]	-	-	-
Other KMP					
A. Begovich	2,237,350	-[2]	-	(2,237,350)[3]	-
A. Bristow	3,101,937	-[2]	-	(3,101,937)[3]	-
C. Spier	2,964,402	-[2]	-	(2,964,402)[3]	-
S. Smith	-	-	-	-	-
K. Griffin	-	-	-	-	-
	18,124,596	**60,693,609**	**-**	**(16,303,689)**	**62,514,516**

[1] This relates to the transfer of 8 million incentive rights to an unrelated third party.
[2] The performance share rights issued in April 2014 as approved by shareholders on 27 May 2014 continued to be expensed in the current year. No rights were granted in the current year.
[3] This represents KMP entitlements to share rights in the Company up until their resignation.
[4] The total value of these share rights is $493,673 which will be expensed over the vesting period.

31 Dec 2015	Balance at start of year	Granted as remuneration[2]	Converted to Shares	Net change other	Balance at end of year
Directors					
D. Vilensky	4,414,552	-	-	-	4,414,552
C. Gale	5,406,355	-	-	-	5,406,355
B. Jones	-	-	-	-	-
F. Li	3,433,540	-	-	(3,433,540)[1]	-
Z. Liu	2,452,529	-	-	(2,452,529)[1]	-
M. Rowbottam	2,697,782	-	-	(2,697,782)[1]	-
Other KMP					
A. Begovich	2,237,350	-	-	-	2,237,350
A. Bristow	3,101,937	-	-	-	3,101,937
C. Spier	2,964,402	-	-	-	2,964,402
	26,708,447	**-**	**-**	**(8,583,851)**	**18,124,596**

[1] This represents the director's entitlements to share rights in the Company up until their resignation less any other changes to their share right holdings.
[2] The performance share rights issued in April 2014 as approved by shareholders on 27 May 2014 continued to be expensed in the current year. No rights were granted in the current year.

(c) 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
Directors					
D. Vilensky	4,414,552	27/5/2014	100	-	31/12/2016
C. Gale	5,406,355	27/5/2014	20	-	31/12/2016
C. Gale	60,693,609[1]	31/10/2016	-	-	31/10/2019
B. Jones	-	-	-	-	-
Other KMP					
A. Begovich	2,237,350	8/4/2014	-	100[2]	-
A. Bristow	3,101,937	16/4/2014	20	-	31/12/2016
C. Spier	2,964,402	7/4/2014	-	100[2]	-
S. Smith	-	-	-	-	-
K. Griffin	-	-	-	-	-

[1] A total of 60,693,609 share rights were issued to C. Gale during the year.
[2] This represents KMP entitlements to share rights in the Company up until their resignation.

(d) 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 2016	Balance at start of year	Granted as remuneration	Exercised	Net change other	Balance at end of year	Vested exercisable	Vested not exercisable
Directors							
D. Vilensky	1,502,370	-	-	-	1,502,370	1,502,370	-
C. Gale	2,926,073	-	-	-	2,926,073	2,926,073	-
B. Jones	4,125,000	1,562,494	-	(4,125,000)	1,562,494[1]	1,562,494	-
Other KMP							
A. Begovich	1,416,062	-	-	(1,416,062)[2]	-	-	-
A. Bristow	1,226,322	-	-	(1,226,322)[2]	-	-	-
C. Spier	1,364,515	-	-	(1,364,515)[2]	-	-	-
S. Smith	-	-	-	-	-	-	-
K. Griffin	-	-	-	-	-	-	-
	12,560,342	**1,562,494**	**-**	**(8,131,899)**	**5,990,937**	**5,990,937**	**-**

[1] Listed options issued to B. Jones during the year. No value has been assigned to them as it was immaterial in nature.
[2] This represents KMP entitlements to share rights in the Company up until their resignation.

31 Dec 2015	Balance at start of year	Granted as remuneration	Exercised	Net change other	Balance at end of year	Vested exercisable	Vested not exercisable
Directors							
D. Vilensky	-	-	-	1,502,370	1,502,370	1,502,370	-
C. Gale	-	-	-	2,926,073	2,926,073	2,926,073	-
B. Jones	-	-	-	4,125,000	4,125,000	4,125,000	-
F. Li	-	-	-	-	-	-	-
Z. Liu	-	-	-	-	-	-	-
M. Rowbottam	-	-	-	-	-	-	-
Other KMP							
A. Begovich	-	-	-	1,416,062	1,416,062	1,416,062	-
A. Bristow	-	-	-	1,226,322	1,226,322	1,226,322	-
C. Spier	-	-	-	1,364,515	1,364,515	1,364,515	-
	-	**-**	**-**	**12,560,342**	**12,560,342**	**12,560,342**	**-**

(d) Loans to key management personnel

There were no loans to key management personnel during the current or prior year.

(e) Other transactions with key management personnel

Refer Note 24 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 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the twelve months ended 31 December 2016

	Notes	31 Dec 2016 $	31 Dec 2015 $
Interest revenue		49,515	2,542
Other income	5	345,843	508,582
Gain from renegotiation of deferred consideration	6	-	7,733,269
Gain from settlement of liabilities	7	85,560	1,232,742
Depreciation and amortisation expense		(28,480)	(33,653)
Employee benefits expense	8(a)	(803,711)	(1,356,462)
Finance expenses	8(b)	(1,493,387)	(1,850,173)
Exploration and evaluation expenditure	15	(4,861,649)	(18,221,467)
Loss on fair value of financial assets through profit or loss		(50,000)	-
Other expenses	8(c)	(1,088,667)	(1,190,341)
Loss before tax		(7,844,976)	(13,174,961)
Income tax benefit	9	-	991,471
Loss for the year		(7,844,976)	(12,183,490)
Loss attributable to owners of the Parent Company		(7,844,976)	(12,183,490)
Other comprehensive income			
Items that cannot be reclassified to profit or loss in subsequent periods:		-	-
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		441,165	1,194,503
Total comprehensive loss for the year attributable to owners of the Parent Company		(7,403,811)	(10,988,987)
Basic and diluted loss per share (Cents)	10	(0.63)	(2.41)

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 2016

	Notes	31 Dec 2016 $	31 Dec 2015 $
ASSETS			
Current assets			
Cash and cash equivalents	11(a)	1,338,668	32,076
Trade and other receivables	12(a)	152,275	1,148,021
Other financial assets	13	177,481	28,024
Total current assets		**1,668,424**	**1,208,121**
Non-current assets			
Trade and other receivables	12(b)	1,603,327	1,564,878
Plant and equipment	14	76,827	121,877
Exploration and evaluation assets	15	7,842,533	11,170,432
Total non-current assets		**9,522,687**	**12,857,187**
Total assets		**11,191,111**	**14,065,308**
LIABILITIES			
Current liabilities			
Trade and other payables	16	917,433	1,998,824
Interest bearing loans and borrowings	17(a)	500,000	1,040,594
Deferred consideration	18(a)	9,222	18,886
Provisions	19	42,995	336,352
Total current liabilities		**1,469,650**	**3,394,656**
Non-current liabilities			
Interest bearing loans and borrowings	17(b)	-	500,000
Deferred consideration	18(b)	6,036,695	5,206,795
Total non-current liabilities		**6,036,695**	**5,706,795**
Total liabilities		**7,506,345**	**9,101,451**
Net assets		**3,684,766**	**4,963,857**
EQUITY			
Contributed equity	20	42,041,903	36,202,047
Reserves	21	8,090,921	7,364,892
Accumulated losses	22	(46,448,058)	(38,603,082)
Total equity		**3,684,766**	**4,963,857**

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 2016

	Contributed equity	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total
	$	$	$	$	$
Balance at 1 January 2015	**32,018,530**	**1,930,487**	**3,922,677**	**(26,419,592)**	**11,452,102**
Loss for the year	-	-	-	(12,183,490)	(12,183,490)
Other comprehensive income	-	-	1,194,503	-	1,194,503
Total comprehensive loss	-	-	1,194,503	(12,183,490)	(10,988,987)
Issue of shares	4,789,353	-	-	-	4,789,353
Share based payments	-	317,225	-	-	317,225
Exercise of options	125	-	-	-	125
Transaction costs	(605,961)	-	-	-	(605,961)
Balance at 31 December 2015	**36,202,047**	**2,247,712**	**5,117,180**	**(38,603,082)**	**4,963,857**
Loss for the year	-	-	-	(7,844,976)	(7,844,976)
Other comprehensive loss	-	-	441,165	-	441,165
Total comprehensive loss	-	-	441,165	(7,844,976)	(7,403,811)
Issue of shares	6,450,612	-	-	-	6,450,612
Share based payments	-	284,864	-	-	284,864
Exercise of options	-	-	-	-	-
Transaction costs	(610,756)	-	-	-	(610,756)
Balance at 31 December 2016	**42,041,903**	**2,532,576**	**5,558,345**	**(46,448,058)**	**3,684,766**

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 2016

	Notes	31 Dec 2016	31 Dec 2015
		$	$
Cash flows from operating activities			
Receipts from other income		296,884	338,155
Payments to suppliers and employees		(1,762,879)	(1,855,114)
Interest received		49,515	2,594
Interest paid		(7,096)	(42,220)
R&D refund (net of fees)		761,357	-
Taxes refunded		-	184,761
Net cash flows used in operating activities	11(b)	**(662,219)**	**(1,371,824)**
Cash Flows from investing activities			
Payments for plant and equipment		-	(6,535)
Proceeds from plant and equipment		17,886	91,673
Purchase of equity investments in listed entities		(200,000)	-
Payments for exploration and evaluation assets		(1,788,401)	(911,499)
Proceeds from sale of exploration and evaluation assets		-	-
Proceeds from security deposits		603	94,728
Net cash flows used in investing activities		**(1,969,912)**	**(731,633)**
Cash flows from financing activities			
Proceeds from the issue of equity		4,830,128	2,261,923
Transaction costs of issuing shares		(295,756)	(256,721)
Proceeds from borrowing		-	576,168
Repayment of borrowings		(595,793)	(755,000)
Net cash from financing activities		**3,938,579**	**1,826,370**
Net increase/(decrease) in cash and cash equivalents		1,306,448	(277,087)
Cash and cash equivalents at the beginning of the year		32,076	308,008
Net foreign exchange difference		144	1,155
Cash and cash equivalents at the end of the year	11(a)	**1,338,668**	**32,076**

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 2016 were authorised for issue in accordance with a resolution of the directors on 31 March 2017.

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 24.

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

(i) Standards and Interpretations adopted in the current year:

The Group has applied the following standards and amendments for first time in their annual reporting period commencing 1 January 2016:

- **AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 2031 Materiality**
  The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

(ii) Standards and Interpretations issued but not yet adopted:

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.

- **AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)**

  The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact.

- **AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).**

  When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

  The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract(s);
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract(s); and
  - recognise revenue when (or as) the performance obligations are satisfied.

  This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

  Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact

- **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.

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.

- **AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual reporting periods commencing on or after 1 January 2018).**

  This Standard amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3: Business Combinations to an associate or joint venture and requires that:

  - a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
  - the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
  - any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

  The Company is still reviewing the impact the adoption of AASB 2014-10 may have on the Group's financial statements.

- **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 24(d).

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 2016 the consolidated entity incurred a loss of $7,844,976 (2015: $12,183,490), had net cash outflows from operating and investing activities of $2,632,131 (2015: $2,103,457) and had net working capital surplus of $198,774 as at 31 December 2016 (2015: deficiency $2,186,535).

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 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.

NOTES TO THE FINANCIAL STATEMENTS

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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 bowing 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 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. Asset 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.

(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 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.

(w) INTEREST BEARING LOANS AND BORROWINGS

Interest bearing loans are recognised initially at fair value, net of transaction costs incurred on the date at which the Group becomes a party to the contractual obligations of the instrument. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

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

(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 base 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 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, Mineracao Ferro Nordeste Ltda and Recursos Latinos S.A. 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) CONVERTIBLE NOTES

For convertible notes, the component of the convertible note that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On issuance of the convertible note, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long term liability on an amortised cost basis until extinguished on conversion. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Interest on the liability component of the convertible note is recognised as an expense in the Statement of profit and loss.

(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.

(ab) 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.

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.

As at 31 December 2016 the Group has recorded an impairment charge of $4.9 million (refer Note 15) to reflect concessions that management relinquished during 2016.

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.

2016	**Australia**	**Peru**	**Argentina**	**Brazil**	**Total**
	$	**$**	$	$	**$**
Revenue					
Interest revenue	49,140	375	-	-	49,515
Gain from settlement of liabilities	85,560	-	-	-	85,560
Other income	13,660	332,183	-	-	345,843
Total revenue	**148,360**	**332,558**	**-**	**-**	**480,918**
Results					
Depreciation & amortisation expense	(13,903)	(14,577)	-	-	(28,480)
Share based payments	(190,910)	-	-	-	(190,910)
Interest expense	(115,528)	(5,518)	-	-	(121,046)
Net foreign exchange gain	5,062	32,921	(7,485)	-	30,498
Segment loss	**(2,044,449)**	**(5,707,945)**	**(88,362)**	**(4,220)**	**(7,844,976)**
Segment assets	**3,159,558**	**8,052,480**	**(55,000)**	**34,073**	**11,191,111**
Segment liabilities	**(627,871)**	**(6,805,956)**	**(23,268)**	**(49,250)**	**(7,506,345)**
Additions to non-current assets					
Plant & equipment	-	-	-	-	-
Exploration & evaluation assets	-	654,651	610,869	-	1,265,520
Total additions to non-current assets	**-**	**654,651**	**610,869**	**-**	**1,265,520**

2015	**Australia**	**Peru**	**Argentina**	**Brazil**	**Total**
	$	**$**	$	$	**$**
Revenue					
Interest revenue	2,520	27	-	(5)	2,542
Gain from settlement of liabilities	1,232,742	-	-	-	1,232,742
Gain from renegotiation of deferred consideration	-	7,733,269	-	-	7,733,269
Other income	-	508,582	-	-	508,582
Total revenue	**1,235,262**	**8,241,878**	**-**	**(5)**	**9,477,135**

2015	Australia	Peru	Argentina	Brazil	Total
	$	$	$	$	$
Results					
Depreciation & amortisation expense	(5,947)	(27,706)	-	-	(33,653)
Share based payments	(266,398)	(76,439)	-	-	(342,837)
Interest expense	(28,223)	(8,357)	-	(32)	(36,612)
Net foreign exchange loss	(88,113)	(1,004)	-	(289)	(89,406)
Segment loss	**(4,255,358)**	**(7,753,047)**	**-**	**(175,085)**	**(12,183,490)**
Segment assets	**1,896,425**	**12,141,419**	**-**	**27,464**	**14,065,308**
Segment liabilities	**(2,227,441)**	**(6,787,905)**	**-**	**(86,105)**	**(9,101,451)**
Additions to non-current assets					
Plant & equipment	181	6,544	-	-	6,725
Exploration & evaluation assets	401,387	323,947	-	49,300	774,634
Total additions to non-current assets	**401,568**	**330,491**	**-**	**49,300**	**781,359**

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

	2016	2015
	$	$
Sundry income[1]	296,883	508,582
Net foreign exchange gain	48,960	-
	345,843	**508,582**

[1] Sundry income includes debt condonation and penalties relating to the resolution of a contract in Peru.

6. GAIN FROM RENEGOTIATION OF DEFERRED CONSIDERATION

	2016	2015
	$	$
Gain from renegotiation of deferred consideration	**-**	**7,733,269**

The Gain in 2015 results from the renegotiation of deferred consideration for the acquisition of the concessions relating to the Guadalupito project.

7. GAIN FROM SETTLEMENT OF INTEREST BEARING LOANS AND BORROWINGS

	2016	2015
	$	$
Gain from settlement of interest bearing loans and borrowings	**85,560**	**1,232,742**

The Gain from settlement of interest bearing loans and borrowings refers to the premium to the market price of the Company's shares used to extinguish interest bearing loans and borrowings during the year.

8. EXPENSES

	2016	2015
	$	$
(a) Employee benefits expense		
Employee benefits and Director Fees	612,801	1,013,625
Share based payments	190,910	342,837
	803,711	**1,356,462**

	2016 $	2015 $
(b) Finance expenses		
Bank fees and charges	11,771	10,682
Interest expense	121,046	36,612
Unwinding of the effective interest rate[1]	894,892	1,577,797
Other finance charges[2]	465,678	225,082
	1,493,387	**1,850,173**

[1] Unwinding of the effective interest rate refers to the discounting of the Convertible securities $152,586 (2015: $935,134) and the remaining cost of the concessions relating to the Guadalupito project $742,306 (2015: $642,663).

[2] Other finance charges relate to the premium to the market price of the Company's shares used to extinguish liabilities during the year.

	2016 $	2015 $
(c) Other expenses		
Administration expenses	175,312	446,141
Corporate expenses	840,539	516,542
Net foreign exchange loss	18,462	89,406
Occupancy expenses	54,354	138,252
	1,088,667	**1,190,341**

9. INCOME TAXES

	2016 $	2015 $
The components of income tax benefit comprise:		
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	(7,844,975)	(12,183,490)
At the statutory income tax rate of 30% (in Australia and Peru)	(2,353,492)	(3,655,047)
Other non-deductible expenditure for income tax purposes		
R&D tax rebate claim	-	991,471
Unrecognised tax losses	2,353,492	3,655,047
Income tax benefit reported in the consolidated statement comprehensive income	-	991,471
Deferred tax assets		
Carried forward revenue losses - Australia	3,814,618	4,491,371
Carried forward revenue losses - Peru	(1,289,266)	(163,879)
Carried forward revenue losses - Brazil	215,756	236,513
Carried forward revenue losses - Argentina	2,566	-
Exploration and evaluation assets	24,263	155,629
Provisions and accruals	36,314	105,415
Other	353,944	323,441
Gross deferred tax asset	3,107,465	5,148,490
Offset against deferred tax liability	-	-
Unrecognised tax losses	3,107,465	5,148,490
Deferred tax liabilities		
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

10. EARNINGS PER SHARE

	2016	2015
	Cents	Cents
Basic and diluted earnings per share	(0.63)	(2.41)
	$	$
Loss used in calculating basic and diluted earnings per share	(7,844,976)	(12,183,490)
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share*	1,248,666,743	505,311,861

*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 468,468,784 (2015: 239,198,083) share options and 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.

11. CASH

	2016 $	2015 $
(a) Cash and short term deposits		
Cash in hand	310	309
Cash at bank	1,338,358	31,767
	1,338,668	**32,076**

(b) Reconciliation of net loss after income tax to net cash flows from operating activities:		
Loss for the year	(7,844,976)	(12,183,490)
Adjustments to reconcile loss after tax to net cash flows from operating activities:		
Gain from renegotiation of deferred consideration	-	(2,847,596)
Loss/(Gain) from settlement of interest bearing loans and borrowings	362,044	(1,232,742)
Loss/(Gain) on fair value of financial assets through profit and loss	50,000	-
Depreciation	28,480	33,653
Share based payments	190,910	342,837
Net foreign exchange loss	(1,908)	89,406
Exploration and evaluation assets disposed/written off	4,861,649	13,335,793
Loss on sale of plant & equipment	-	26,606
Unwinding of the effective interest rate	894,892	1,577,797
Working capital adjustments:		
(Increase)/decrease in trade and other receivables	957,062	(531,066)
Increase/(decrease) in trade and other payables	(185,087)	4,060
Increase/(decrease) in provisions for annual leave	24,715	12,918
Net cash flows used in operating activities	**(662,219)**	**(1,371,824)**

12. TRADE AND OTHER RECEIVABLES

	2016 $	2015 $
(a) Current		
Trade receivables	3,715	7,950
Other receivables	71,309	975,610
Goods & services tax[1]	26,593	117,037
Prepayments	50,658	47,424
	152,275	**1,148,021**

None of the current trade and other receivables at 31 December 2016 were provided for or impaired and are considered fully recoverable.

	2016 $	2015 $
(b) Non-Current		
Goods & services tax[1]	1,603,327	1,564,878
	1,603,327	**1,564,878**

[1] Goods and services tax (GST) Non-current refers to a receivable by the company's subsidiary in Peru which can only be offset against GST attributable to future sales.

13. OTHER FINANCIAL ASSETS

	2016 $	2015 $
Security deposits and bonds	27,481	28,024
Shares in listed entities[1]	150,000	-
	177,481	**28,024**

[1] Shares in listed entities have been fair valued using Level 1 inputs of the fair value hierarchy.

14. PLANT AND EQUIPMENT

	2016 $	2015 $
Furniture and equipment		
At cost	172,079	302,431
Less: Accumulated depreciation	(95,252)	(180,554)
	76,827	**121,877**
Furniture and equipment		
Balance at beginning of period	121,877	237,347
Additions	-	6,725
Disposals	-	(117,177)
Depreciation expense	(28,480)	(28,951)
Effects of exchange rate movements	(16,570)	23,933
Balance at end of period	**76,827**	**121,877**
Motor vehicles		
Balance at beginning of period	-	17,195
Disposals	-	(14,601)
Depreciation expense	-	(4,703)
Effects of exchange rate movements	-	2,109
Balance at end of period	**-**	**-**
Net book value	**76,827**	**121,877**

15. EXPLORATION AND EVALUATION ASSETS

	2016 $	2015 $
Balance at beginning of period	11,170,432	26,329,037
Additions	1,265,520	774,634
Disposals	-	(3,312,975)
Amounts written off[1]	(4,861,649)	(10,022,819)
Other[2]	126,535	(4,885,673)
Foreign currency translation movement	141,695	2,288,228
Balance at end of period	**7,842,533**	**11,170,432**

[1] Amounts written off includes an impairment charge of $4,861,649 (2015: $9,810,065) to reflect the recoverable

amounts of the exploration and evaluation assets.
[2] Other refers to an adjustment to reflect the renegotiated terms for the acquisition of the concessions relating to the Guadalupito project.

16. TRADE AND OTHER PAYABLES

	2016 $	2015 $
Trade payables	833,981	1,539,347
Other payables	30,676	104,919
Accruals	52,776	354,558
	917,433	**1,998,824**

17. INTEREST BEARING LOANS AND BORROWINGS

	2016 $	2015 $
(a) Current		
Loan[1]	500,000	160,000
Convertible securities	-	880,594
	500,000	**1,040,594**
(b) Non-current		
Loan[1]	-	500,000
	-	**500,000**

[1] Loan with Junefield High Value Metals Investments Limited (JVHM) which attracts interest at 12% per annum with a maturity date of February 2017 (2015: $500,000 classified as non-current). The Company is in discussions with JVHM regarding an extension of the maturity date and the possibility of a conversion of the loan balance in whole or in part into shares in the Company.

18. DEFERRED CONSIDERATION

	2016 $	2015 $
(a) Current	**9,222**	**18,886**
(b) Non-current	**6,036,695**	**5,206,795**

The deferred consideration balances reflect the current and non-current portions of the present value of the remaining US$10.1 million (2015: US$10.1 million) the Group is required to pay in cash and shares for the acquisition of the concessions relating to the Guadalupito project.

19. PROVISIONS

	2016 $	2015 $
Employee benefits – Leave entitlements	**42,995**	**336,352**

20. CONTRIBUTED EQUITY

	2016 $	2015 $
(a) Issued capital		
Issued shares	40,304,459	34,464,603
Option premium	1,737,444	1,737,444
	42,041,903	**36,202,047**

(b) Movements in issued capital

Issued shares

	Number	$
Balance at 1 January 2015	**320,469,243**	**30,284,553**
Settlement of borrowings	58,302,521	583,964
Settlement of remuneration	24,810,250	311,056
Placement	28,500,000	285,000
Settlement of borrowings	24,073,388	173,358
Entitlement issue	302,099,770	2,361,798
Settlement of creditors	93,662,206	770,548
Settlement of borrowings	40,645,200	300,162
Exercise of options	6,250	125
Transaction costs	-	(605,961)
Balance at 31 December 2015	**892,568,828**	**34,464,603**
Settlement of borrowings [1]	88,381,944	809,750
Settlement of remuneration[2]	4,961,942	37,668
Placement[3]	45,000,000	212,500
Settlement of borrowings[4]	12,000,000	190,000
Settlement of creditors[5]	54,732,591	473,233
Placement[6]	77,000,000	385,000
Placement[7]	82,500,000	825,000
Placement[8]	309,090,911	3,400,000
Settlement of borrowings	1,155,507	17,333
Exercise of options	10,006,375	100,128
Transaction costs	-	(610,756)
Balance at 31 December 2016	**1,577,398,098**	**40,304,459**

Option premium

	Number	$
Balance at 1 January 2015	**11,687,500**	**1,733,977**
Settlement of creditors	3,125,000	3,467
Balance at 31 December 2015	**14,812,500**	**1,737,444**
Exercise of options	-	-
Balance at 31 December 2016	**14,812,500**	**1,737,444**

1 During the year 88,381,944 shares were recorded at market prices ranging from $0.004 to $0.018 per share to settle borrowings owed to The Australian Special Opportunity Fund LP. The shares were issued based on conversion prices ranging from $0.003 to $0.009 per share in accordance with the Funding Agreement announced on 13 November 2014. The difference between the market price and deemed issue price was recorded as a loss in the profit or loss.

2 During the year 4,961,942 shares were issued at a deemed price per share ranging from $0.0064 to $0.012 to Directors and employees as compensation.

3 On 26 February 2016, the Company announced that it had completed a Placement involving the issue of 45,000,000 shares to raise $212,500.

4 During the year 12,000,000 shares were issued at market prices ranging from $0.015 to $0.016 per share to settle borrowings owed to Magna Equities 11 LLC. The shares were issued based on a deemed conversion price of $0.017 per share in accordance with Funding Agreement announced on 8 May 2015. The difference between the market price and the conversion price was recorded as a loss in the profit or loss.

5 During the year shares totalling 54,732,591 were issued at market prices ranging from $0.004 to $0.013 per share to settle amounts owing to various creditors and brokers.

6 In May 2016, the Company announced that it had completed a Placement involving the issue of 77,000,000 shares at $0.005 per share.

7 The Company completed a placement on 20 May 2016 of 82,500,000 in accordance with a placement announced on 16 May 2016 at $0.01 per share.

8 The Company completed a placement on 19 August 2016 of 309,090,911 shares at a price of $0.011 per share.

21. RESERVES

	2016 $	2015 $
(a) Foreign currency translation reserve		
Balance at beginning of year	5,117,180	3,922,677
Foreign currency translations	441,165	1,194,503
Balance at the end of the year	**5,558,345**	**5,117,180**
(b) Share based payments reserve		
Balance at the beginning of year	2,247,712	1,930,487
Share based payments	284,864	317,225
Balance at the end of the year	**2,532,576**	**2,247,712**
Total reserves	**8,090,921**	**7,364,892**

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 23 for further details regarding share based payments.

22. ACCUMULATED LOSSES

	2016 $	2015 $
Balance at the beginning of the year	(38,603,082)	(26,419,592)
Loss after income tax	(7,844,976)	(12,183,490)
Balance at the end of the year	**(46,448,058)**	**(38,603,082)**

23. SHARE BASED PAYMENTS

	2016 $	2015 $
(a) Expenses arising from share based payment transactions		
Employee benefits expense	190,910	342,837
Finance expenses	-	191,408
	190,910	**534,245**

(b) 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 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.

Valuation of Share rights

The assessed fair value of the share rights granted to individuals is allocated equally over the measurement period. Fair values are determined using valuation model that takes into account the 10 day VWAP share price prior to grant date.

Share rights without market based vesting conditions are valued at the 10 day VWAP share price prior to the grant date.

Share rights with market based vesting conditions are also valued at the 10 day VWAP share price prior to the grant date however a 50% discount is applied to the valuation to take into account the likelihood of meeting any market based vesting conditions.

The model inputs for share rights granted during the year ended 31 December 2016 are as follows:

Issued to	Managing Director
Grant date	31 October 2016
Expiry date	31 October 2019
Quantity	60,693,609
Exercise price	-
Consideration	-
Fair value at grant date	$0.0136
10 day VWAP at grant date	$0.0136
Discount	0% - 50%
Maximum life	3 Years

Shares issued as share based payments

Brent Jones was issued 3,906,234 shares and 1,562,494 listed options during the year as settlement of director fees payable. The value of the options was calculated to be $41 and therefore not material.

Anthony Begovich was issued 355,708 shares during the year as a reward for services to the Company.

Share rights outstanding

There were 78,099,131 share rights outstanding as at 31 December 2016 (2015: 24,430,005) of which 17,405,522 had a vesting date of 31 December 2016 and 60,693,609 have a vesting date of 31 October 2019. Share rights totalling 7,024,483 (2015: 2,861,284) were cancelled during the year due to resignations. The share rights that vested on 31 December 2016 were converted into shares on 17 March 2017.

(c) Options

Valuation of Options

Options were priced 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.

Input variable	**31 Dec 2016**	**31 Dec 2015**
Grant date share price	$0.012	$0.008 - $0.012
Exercise price	$0.02 - $0.04	$0.008 - $0.046
Expected volatility	70%	121% - 143%
Risk-free interest rate	1.67%	2%
Option life	0.3 – 1.14 years	1.5 – 3 years

	Number of options	Weighted average exercise price
Options outstanding		
Balance at 1 January 2015	**11,687,500**	$0.07
Granted during the year	204,086,828	$0.02
Forfeited, exercised and expired during the year	(1,006,250)	$0.30
Balance at 31 December 2015	**214,768,078**	**$0.02**
Granted during the year	185,607,950	$0.02 - $0.04
Exercised during the year	(6,375)	$0.02
Exercised during the year	(10,000,000)	$0.01
Balance at 31 December 2016	**390,369,653**	**$0.02**

24. RELATED PARTY DISCLOSURES

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

	2016 $	2015 $
(a) Compensation of directors and other key management personnel		
Short term employee benefits	716,208	886,818
Post-employment benefits	8,154	37,846
Share based payments	267,829	399,405
	992,191	**1,324,069**

(b) Loans to key management personnel

As at 31 December 2016 there was a loan to Mr Chris Gale of $10,493.

(c) Transactions with related parties

Bowen Buchbinder Vilenksy, a related party of Mr David Vilenskey, charged fees totaling $41,600 (exclusive of GST) for the year ending 31 December 2016 in relation to legal fees.

Corp Cloud Pty Ltd, a related party of Mr Chris Gale, charged fees totaling $2,328 (exclusive of GST) for the year ending 31 December 2016 in relation to the provision of IT services.

Allegra Capital Pty Ltd, a related party of Mr Chris Gale, was paid January 2017 consulting fees of $25,000 (exclusive of GST) in December 2016 which is included in the prepayments balance as at 31 December 2016.

(d) Subsidiaries

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

		Equity holding	
		2016	2015
Name of entity	**Country of incorporation**	%	%
Peruvian Latin Resources Limited SAC	Peru	100	100
Minera Dilan SAC	Peru	100	100
Mineracao Ferro Nordeste Ltda	Brazil	100	100
Recursos Latinos S.A.	Argentina	100	-

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 Dilan 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.

(e) Ultimate parent company

Latin Resources Limited is the ultimate parent of the Group.

25. COMMITMENTS

	2016 $	2015 $
Operating lease commitments:		
Not later than one year	438,229	17,316
Later than one year but not later than five years	-	-
Later than five years	-	-
	438,229	**17,316**

26. CONTINGENCIES

Guadalupito project – Royalty obligation

On February 8, 2011, Peruvian Latin Resources SAC (PLR) signed an agreement (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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, other financial assets, trade and other payables, loans and borrowings and deferred consideration.

The main risks affecting these financial instruments are market risk (e.g. foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Board manages the Group's exposure to these risks which are recurring items for deliberation at Board meetings.

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investment in its subsidiaries in Peru, Argentina and Brazil.

The Group currently does not hedge its net investment in its foreign operations.

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.

As at 31 December 2016, the Group had the following exposure to USD that is not designated in cash flow hedges:

	2016	2015
	$	$
Financial assets		
Cash and cash equivalents	516,356	10,570
Trade and other receivables	1,673,652	1,732,443
Other financial assets	3,781	4,325
	2,193,789	**1,747,338**
Financial liabilities		
Trade and other payables	(774,888)	(1,377,911)
Interest bearing loans and borrowings	-	(268,541)
Provisions	(39,487)	-
Deferred consideration[1]	(6,045,917)	(5,225,681)
	(6,860,292)	**(6,872,133)**
Net exposure	**(4,666,503)**	**(5,124,795)**

[1] As at 31 December 2016, the Group has an obligation to pay US$10.1 million (2015: 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 2016 which are on average not expected to significantly increase over the next twelve months.

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.

	Effect on loss before tax	Effect on equity
	$	$
31 December 2016		
AUD/USD +10%	137,942	(604,592)
AUD/USD -10%	(137,942)	604,592
31 December 2015		
AUD/USD +10%	10,089	(522,568)
AUD/USD -10%	(10,089)	522,568

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 2021.

(b) 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 2016 the Group had the following exposure to Australian variable interest rate risk

	2016 $	2015 $
Financial assets		
Cash and cash equivalents	**822,312**	**21,506**

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.

(c) 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 11(a)) and trade and other receivables (refer Note 12) and other financial assets (refer Note 13).

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.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient cash to meet its commitments as and when they fall due.

The Board manages liquidity risk by regularly reviewing the Group's liquidity position, monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted cash payments.

31 December 2016	**Less than 1 month $**	**1-3 months $**	**3-12 months $**	**1-5 years $**	**5+ years $**	**Total $**
Trade and other payables	917,433	-	-	-	-	917,433
Interest bearing liabilities	-	500,000	-	-	-	500,000
Deferred consideration	-	-	-	1,387,500	12,487,500	13,875,000
	917,433	**500,000**	**-**	**1,387,500**	**12,487,500**	**15,292,433**

31 December 2015	**Less than 1 month $**	**1-3 months $**	**3-12 months $**	**1-5 years $**	**5+ years $**	**Total $**
Trade and other payables	499,706	499,706	999,412	-	-	1,998,824
Interest bearing liabilities	428,541	-	-	500,000	-	928,541
Deferred consideration	-	-	-	342,184	13,345,196	13,687,380
	928,247	**499,706**	**999,412**	**842,184**	**13,345,196**	**16,614,745**

(e) 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 Groups 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.

(f) 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 2016 the Group is not subject to any external capital requirements.

28. EVENTS AFTER THE REPORTING PERIOD

On 25 January 2017, the Company announced that the environmental impact study and drill permit for the Catamarca lithium project has been approved with the Catamarca Environmental and Mines departments with drilling commencing immediately.

On 8 February 2017, the Company announced that it had commenced reverse circulation drilling at it's 100% owned Ancasti Lithium Project in Catamarca, Argentina. On 8 March 2017, the Company confirmed that drilling is near completion and that first analysis results had been received from the drilling programme.

On 7 March 2017, the Company advised that it had applied for 3 exploration licences in the La Roija Province in Argentina to explore primarily for cobalt.

On 15 March 2017, the Company advised that it had issued 14,054,768 fully paid shares following the exercise of options to raise $281,095.

On 17 March 2017, the Company advised that it had issued 7,403,798 fully paid ordinary shares following the vesting of incentive rights and deferred rights.

29. AUDITORS REMUNERATION

	2016 $	2015 $
Amounts received or due and receivable by the auditor for:		
An audit or review of the financial report of the consolidated group	48,293	36,097
Amounts received or due and receivable by related practices of the auditor for:		
An audit or review of the financial report of the consolidated group	-	11,763
Other services in relation to the consolidated group	5,740	8,700
	5,740	20,463
Amounts received or due and receivable by non related practices of the auditor for:		
An audit or review of the financial report of the consolidated group	-	-
	54,033	**56,560**

NOTES TO THE FINANCIAL STATEMENTS

30. PARENT ENTITY INFORMATION

	2016 $	2015 $
(a) Financial position		
Assets		
Current assets	1,524,199	1,025,662
Non-current assets	12,000,506	6,165,636
Total assets (i)	**13,524,705**	**7,191,298**
Liabilities		
Current liabilities (ii)	646,053	1,727,441
Non-current liabilities	-	500,000
	646,053	**2,227,441**
Net assets	**12,878,652**	**4,963,857**
Equity		
Contributed equity	42,041,903	36,202,047
Reserves	2,532,576	2,247,712
Accumulated losses	(31,695,827)	(33,485,902)
	12,878,652	**4,963,857**
(i) Assets		
Balance per parent company	13,524,705	7,191,298
Provision for intercompany loans and consolidation entry	(10,365,147)	(5,294,873)
Balance per operating segment note (Note 4)	3,159,558	1,896,425
(ii) Liabilities		
Balance per parent company	646,053	1,727,441
Movement relating to mineral projects (inter-company)	(18,182)	500,000
Balance per operating segment note (Note 4)	627,871	2,227,441
(b) Financial performance		
Profit/(loss) of the parent entity (i)	**1,790,075**	**(10,988,986)**
Total comprehensive profit/(loss) of the parent entity	**1,790,075**	**(10,988,986)**
(i) Profit/(loss) for the year		
Profit/(loss) per parent company	1,790,075	(10,988,986)
Provision for intercompany loans and consolidation entry	(3,834,524)	6,733,628
Balance per operating segment note (Note 4)	(2,044,449)	(4,255,358)
(c) Contingencies and commitments		
Operating lease commitments:		
Not later than one year	3,700	-
Later than one year but not later than five years	-	-
	3,700	**-**

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 2016 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 2016 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 2016.

On behalf of the Directors

David Vilensky
Chairman
Signed on 31 March 2017

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

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31 March 2017

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 2016, 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

Stantons International Audit and Consulting Pty Ltd
trading as
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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
LATIN RESOURCES LIMITED**

Report on the Audit of the Financial Report

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 2016, 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, the accompanying 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 2016 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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 opinion.

Emphasis of Matter

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

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

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 2016, the Group had working capital of $198,774 and had incurred a loss for the year of $7,844,976. 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.

The recoverability of the Group's carrying value of exploration and evaluation assets of $7,842,533 and GST receivable of $1,603,327 in its subsidiary in Peru is dependent on the successful commercial exploitation of the assets and/or sale of the 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 assets, the realisable value of the Group's assets including GST receivable in Peru may be significantly less than their current carrying values.

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
Carrying Value of Exploration and Evaluation Assets The Group carries exploration and evaluation expenditure totalling $7,842,533 (refer to Note 15) in terms of the application of the Group's accounting policy for exploration and evaluation expenditure, as set out in Note 2(s). The capitalised exploration and evaluation is a key audit matter due to: • The significance of the total balance (70% of total assets); • The level of procedures undertaken to evaluate management's application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources* ("AASB 6"), in light of any indicators of impairment that may be present. The presence of impairment requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale, or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The capitalisation and deferral of costs requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation may be established. Accordingly, we have examined documentation in relation to: • right of tenure of the Peruvian and Argentinian tenements; • the ability of the Group to maintain and fund future exploration activities.	Inter alia, our audit procedures included the following: i. Examining the Group's right to tenure over exploration assets held including the corroboration of ownership to third party documentation and or agreements. ii. We performed appropriate procedures to obtain reasonable assurance that all capitalised costs during the year are appropriately capitalised and in accordance with the Group's accounting policies and that of the standard (AASB 6). iii. We reviewed the directors' assessment of the carrying value of the exploration and evaluation costs, ensuring that management have considered the effect of potential impairment indicators, commodity prices and the stage of the Group's project also against the standard of AASB 6. iv. Discussed with management the requirements of accounting standard AASB 6 and reviewed the financial statements to ensure appropriate disclosures are made. v. Reviewed post-balance ASX announcements for evidence of any concessions relinquished and ensured any capitalised exploration and evaluation costs on these concessions are appropriately written off.

Issued Capital and Share Based Payments

The Group's Contributed Equity, amounted to $42,041,903 at 31 December 2016. During the year, this occurred by the issuance of 648,829,270 ordinary shares through placements, the exercise of options, conversions from convertible notes, repayment of loans, settlement of liabilities and settlement of brokerage fees (Issued Capital).

In addition, the Company granted and issued options, retention rights and performance rights to executives and to third parties (Share Based Payments).

Issued Capital and Share based payments are key audit matters due to:

- the quantum of transactions having been effected during the year; and
- the complexities involved in recognition and measurement of these instruments.

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 *Share-Based Payments* (AASB 2).

Inter alia, our audit procedures included the following:

i. Obtaining an understanding of the underlying transactions.

ii. For share placements, traced funds raised to bank statements and other relevant supporting documentation.

iii. Audited the management option valuations using the Black-Scholes Valuation Models and assessed the assumptions used (volatility, interest rates etc.).

iv. Checked that the fair-value of options is appropriately charged over the vesting period and allocated to expenses or capitalised exploration and evaluation costs as appropriate, in accordance with AASB 2.

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.

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 2016, 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 31 to 40 of the directors' report for the year ended 31 December 2016.

In our opinion the Remuneration Report of Latin Resources Limited for the year ended 31 December 2016 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 2017

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 2017.

Class of equity securities and voting rights

SHARES

There were 1,598,856,664 098 ordinary fully paid shares on issue. All issued ordinary shares carry one vote per share.

SHARE RIGHTS

There were share rights over 65,031,642 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 2017 as detailed below. Options do not carry any rights to vote.

Code	Class	Terms	Number
LRSAU	Unlisted	Exercisable at $0.0461 each and expiring on 1 December 2017	10,687,500
LRSAX	Unlisted	Exercisable at $0.0166 each and expiring on 22 May 2017	11,468,643
LRSAY (a)	Unlisted	Exercisable at $0.04 each and expiring on 20 December 2017	14,000,000
LRSAY (b)	Unlisted	Exercisable at $0.008 each and expiring on 30 November 2017	9,375,000

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)	Options (listed)	Options (unlisted)
1 – 1,000	123	-	-	-
1,001 – 5,000	54	-	-	-
5,001 – 10,000	71	-	-	-
10,001 – 100,000	1,265	-	-	-
100,001 and over	1,647	9	-	4
Total	**3,160**	**9**	**-**	**4**

HOLDING LESS THAN A MARKETABLE PARCEL

	584	**-**	**-**	**-**

ASX ADDITIONAL INFORMATION

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	-	-

Twenty largest holders of quoted shares

Rank	*Shareholder*	*No. of Share Held*	*% Held*
1.	MR ROBERT VEITCH + MRS ELAINE VEITCH <VEITCH SUPER FUND A/C>	47,953,615	3.00
2.	JUNEFIELD HIGH VALUE METALS INVESTMENTS LIMITED	30,699,323	1.92
3.	ELMER MOISES ROSALES CASTILLO	28,302,055	1.77
4.	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	26,341,142	1.65
5.	KABILA INVESTMENTS PTY LIMITED	23,841,112	1.49
6.	LICHTER SERVICES PTY LTD <LICHTER FAMILY S/F A/C>	23,000,000	1.44
7.	DEMPSEY RESOURCES PTY LTD	20,622,129	1.29
8.	INTERPRAC LTD	16,548,076	1.03
9.	UNRANDOM PTY LTD <UNRANDOM A/C>	15,858,150	0.99
10.	ALOCASIA PTY LIMITED <CAMELLIA SUPER FUND A/C>	15,525,868	0.97
11.	MR PHILLIP MARK ANDRISKE	15,232,451	0.95
12.	AVALON RETIREMENT INVESTMENTS PTY LTD <AVALON RETIREMENT INVS A/C>	14,705,987	0.92
13.	SIXTH ERRA PTY LTD <STAFF SUPER FUND A/C>	13,699,346	0.86
14.	CORBEAUX INVESTMENTS PTY LTD <KC SUPERANUATION FUND A/C>	13,000,000	0.81
15.	CITICORP NOMINEES PTY LIMITED	12,148,369	0.76
16.	COILENS CORPORATIONS PTY LTD	10,913,122	0.68
17.	MR BRADLEY WILLIAM BURNETT	10,000,000	0.63
18.	CORBEAUX INVESTMENTS PTY LTD	10,000,000	0.63
19.	MR JOHN BEVAN TILBROOK + MRS PAULINE TILBROOK + MR JOHN EDWIN TILBROOK <TILBROOK SUPERFUND A/C>	10,000,000	0.63
20.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	8,760,528	0.55
	Total	**367,151,273**	**22.96**

TENEMENT SCHEDULE

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	01-05005-08	Peru	100%	Concession
LATIN ILO ESTE II	01-05003-08	Peru	100%	Concession
LATIN ILO ESTE III	01-05001-08	Peru	100%	Concession
LATIN ILO ESTE IV	01-05007-08	Peru	100%	Concession
LATIN ILO ESTE IX	01-01952-14	Peru	100%	Concession
LATIN ILO ESTE V	01.05008-08	Peru	100%	Concession
LATIN ILO ESTE VI	01-05009-08	Peru	100%	Concession
LATIN ILO ESTE VII	01-00335-10	Peru	100%	Concession
LATIN ILO NORTE 3	01-00830-09	Peru	100%	Concession
LATIN ILO NORTE 4	01-00831-09	Peru	100%	Concession
LATIN ILO NORTE 5	01-02510-09	Peru	100%	Concession
LATIN ILO NORTE 6	01-02511-09	Peru	100%	Concession
BRIDGETTE 1	01-01844-11	Peru	100%	Concession
ESSENDON 10	01-02249-10	Peru	100%	Concession
ESSENDON 14	01-01824-11	Peru	100%	Concession
ESSENDON 21	01-01841-11	Peru	100%	Concession
ESSENDON 26	01-01849-11	Peru	100%	Concession
ESSENDON 4	01-01897-10	Peru	100%	Concession
ESSENDON 5	01-01898-10	Peru	100%	Concession
ESSENDON 6	01-01899-10	Peru	100%	Concession
ESSENDON 7	01-02246-10	Peru	100%	Concession
ESSENDON 8	01-02247-10	Peru	100%	Concession
ESSENDON 9	01-02248-10	Peru	100%	Concession
LATIN ILO NORTE 7	01-02512-09	Peru	100%	Concession
LATIN ILO NORTE 8	01-02513-09	Peru	100%	Concession
MADDISON 1	01-01845-11	Peru	100%	Concession
RYAN 1	01-01843-11	Peru	100%	Concession

TENEMENT SCHEDULE

DOCKERS 1	01-01865-11	Peru	100%	Concession
DOCKERS 2	01-01866-11	Peru	100%	Concession
DOCKERS 3	01-01867-11	Peru	100%	Concession
DOCKERS 4	01-01868-11	Peru	100%	Concession
FLEMANTLE 16	01-02431-10	Peru	100%	Concession
FREMANTLE 1	01-02062-10	Peru	100%	Concession
FREMANTLE 10	01-02425-10	Peru	100%	Concession
FREMANTLE 11	01-02426-10	Peru	100%	Concession
FREMANTLE 14	01-02429-10	Peru	100%	Concession
FREMANTLE 18	01-02433-10	Peru	100%	Concession
FREMANTLE 2	01-02063-10	Peru	100%	Concession
FREMANTLE 22	01-01831-11	Peru	100%	Concession
FREMANTLE 29	01-01838-11	Peru	100%	Concession
FREMANTLE 3	01-02064-10	Peru	100%	Concession
FREMANTLE 4	01-02065-10	Peru	100%	Concession
FREMANTLE 5	01-02066-10	Peru	100%	Concession
FREMANTLE 7	01-02068-10	Peru	100%	Concession
FREMANTLE 8	01-02250-10	Peru	100%	Concession
FREMANTLE 9	01-02424-10	Peru	100%	Concession
KELLY 00	01-01840-11	Peru	100%	Concession
KELLY 01	01-04977-11	Peru	100%	Concession
LATIN ILO SUR F	01-02824-09	Peru	100%	Concession
LATIN MORRITO 1	01-02827-09	Peru	100%	Concession
LATIN MORRITO 2	01-02828-09	Peru	100%	Concession
VANDALS 1	01-02437-10	Peru	100%	Concession
VANDALS 2	01-02438-10	Peru	100%	Concession
Ancasti	36M2016	Argentina	100%	Concession
Ancasti	37M2016	Argentina	100%	Concession
Ancasti	38M2016	Argentina	100%	Concession
Villisman	39M2016	Argentina	100%	Concession
Villisman	40M2016	Argentina	100%	Concession
Villisman	41M2016	Argentina	100%	Concession
Villisman	42M2016	Argentina	100%	Concession
Ancasti	56M2016	Argentina	100%	Concession
Villisman	57M2016	Argentina	100%	Concession

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