

31 March 2021

## Lodgement of Audited Annual Report

Latin Resources Limited ("Latin" or "the Company") is very pleased to advise of very positive results for the year ended 31 December 2020 highlighted as follows:

- The consolidated **profit** after tax of the Group for the year ended 31 December 2020 was \$3.5 million (2019: loss of \$5.5 million).
- The net assets of the Group have increased to \$11 million (2019: net assets deficiency of \$736,824).
- The Group has a strong cash position of \$4.5 million at 31 December 2020 (2019: \$733,282) which subsequently has been further bolstered from the proceed of the exercise of LRSOC options by option holders to date.

The Company is now debt free and in a very healthy financial position and looks forward to progressing its projects in 2021 to the next level of development.

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# **Latin Resources Limited**

ABN: 81 131 405 144

**Audited Financial Report**  
**31 December 2020**

## CORPORATE DIRECTORY

### DIRECTORS

**Mr David Vilensky**  
(Non-Executive Chairman)

**Mr Christopher Gale**  
(Executive Director)

**Mr Brent Jones**  
(Non-Executive Director)

**Mr Pablo Tarantini**  
(Non-Executive Director)

### COMPANY SECRETARY

**Ms Sarah Smith**

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Perth 6000  
Western Australia

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Australian Securities Exchange Limited (LRS)

### BANKERS

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Western Australia

#### NAB

Central Business  
Banking Centre  
Perth 6000  
Western Australia

### AUDITORS

**Hall Chadwick Audit (WA) Pty Ltd**  
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## REVIEW OF OPERATIONS

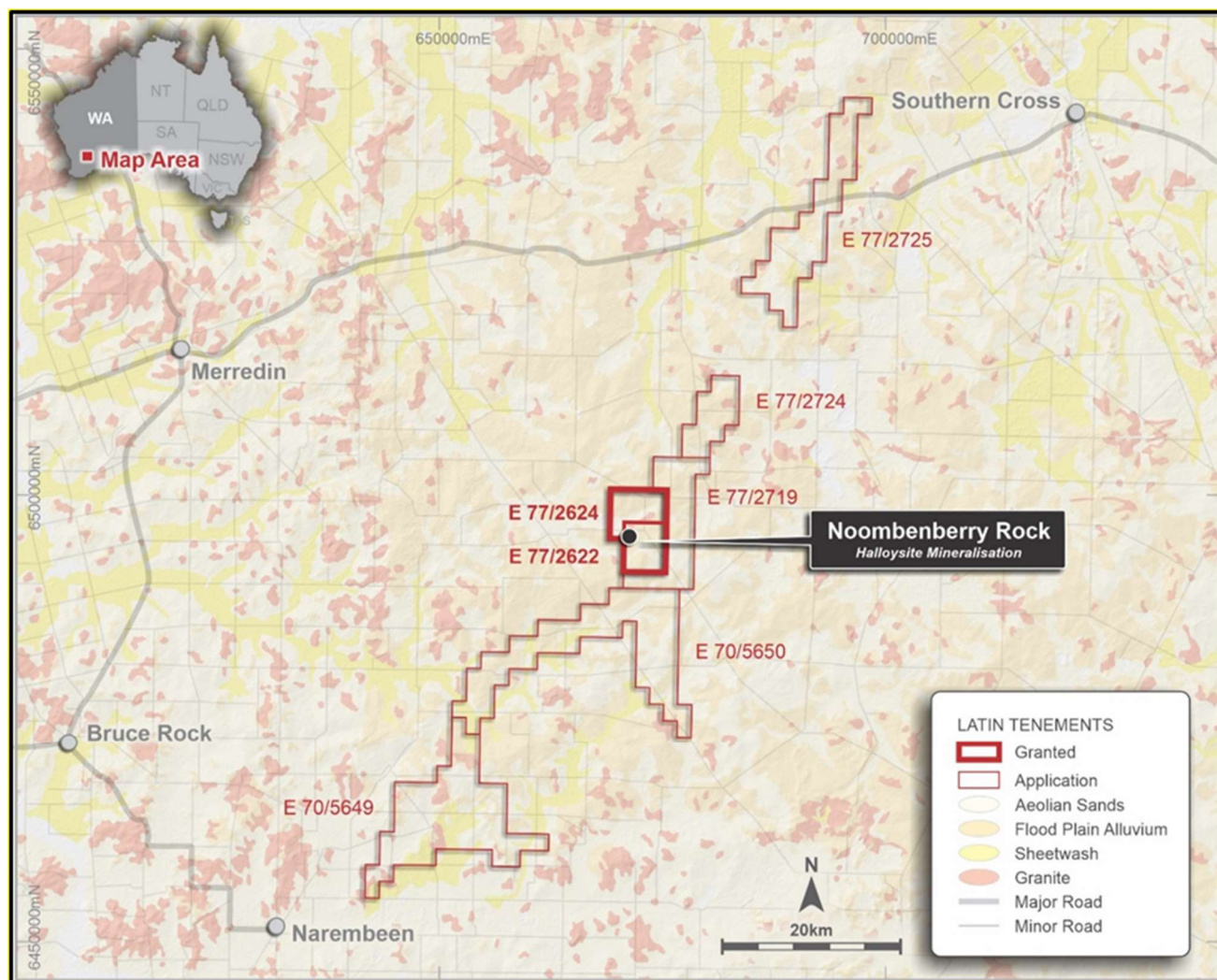
Latin Resources Limited is an Australian-based mineral exploration company with several projects in Latin America and Australia. Australian projects include the Yarara gold project in the NSW Lachlan Fold belt, Noombenberry Halloysite Project near Merredin, WA, and the Big Grey Project in the Paterson region, WA. The company is also actively progressing its Copper Porphyry MT03 project in the Ilo region, Peru, with joint venture partner First Quantum Minerals Ltd.

During the year, the Company signed a joint venture agreement with the Argentinian company Integra Capital to fund the next phase of exploration on its lithium pegmatite projects in Catamarca, Argentina.

## OPERATIONS

### *Noombenberry Halloysite Project – Australia*

The Company's 100%-owned Noombenberry Project is east-southeast of Merredin, Western Australia.



**Figure 1: Noombenberry Project Tenure and Location map**

In January 2020, the Company announced positive results from a first pass sampling program conducted at the Noombenberry Project. It submitted four samples collected from the surface to First Test Minerals, a long-established UK-based kaolin and halloysite specialist. Scanning Electron Microscopy was carried out to identify halloysite occurrence in samples. Latin took 13 samples from the Noombenberry project site which exhibits outcropping across an area of approximately 50km<sup>2</sup>.

## REVIEW OF OPERATIONS



**Figure 2:** 13 Samples taken from 4 locations sent to First Test Minerals

The results<sup>1</sup> presented by the independent experts confirmed the prospectivity of the project area and the best results (*Location 4*) were taken from 3m below ground level. Samples from Location 4 delivered high-grade kaolin results from the 45 to 180 micron category, up to 15% halloysite by weight and up to 38.9% kaolinite by weight, and over 68% kaolinite at Location 3 and 44% kaolinite at Location 1. The encouraging grades gave confidence to further explore the project via a deeper and expanded drill program with assistance from First Test Minerals.

Latin's technical team conducted a site reconnaissance and prospecting exercise over the Noombenberry Project in early September 2020 to advance site access discussions with key landholders and finalise a site access track for the drilling campaign. Latin lodged drilling permits with DMIRS.

Phase 1 drilling was intended to indicate continuity of the identified high-value Halloysite mineralisation, as well as allow sample collection throughout the mineralised thickness for deposit analysis and indication of tenor. Additional reconnaissance prospecting on site led the Company to secure additional tenure in the area through the submission of a new exploration licence.

Latin advised in January 2021 it had completed first pass and infill air-core drilling at Noombenberry.

The Company completed 197 drill holes for a total of 4,430m of vertical shallow air-core drilling<sup>2</sup> over an area of approximately 4.5km by 4.0km (18km<sup>2</sup>), to test the extent of a known Kaolinite-Halloysite occurrence where previous sampling returned results of 38.9% Kaolinite, 15% Halloysite and 31.8% K-feldspar from the 45-180 micron fraction.

The initial phase of drilling on a regular 400m x 400m grid pattern was completed prior to the Christmas break, with a second phase of off-set infill drilling to a nominal 200m x 200m pattern focused on thicker zones of logged kaolinitic clays completed in the first weeks of January 2021 (*Figure 3*).

Logging of air-core drill cuttings confirmed significant intersections of bright white kaolinite across the area tested, with a maximum logged down hole intersection of 50m (*Figure 4 - NBAC058*). This sequence of well-developed kaolinitic clay (saprolite) beneath a thin layer of soil cover is consistent across the area tested, as demonstrated in a simplified geological cross section 6,494,000mN which cuts through the center of area of drilling (*Figure 5*).

Approximately 750 composite samples were collected from the logged kaolinite saprolite zone, and submitted for detailed test work including: X-Ray Fluorescence (XRF), X-Ray Diffraction (XRD), brightness testing, and Scanning Electron Microscopy (SEM). While not all results have been returned from the laboratory, the results received to date have confirmed that the Noombenberry project contains ultra-bright white Kaolinite (>80 ISO-B Brightness), and high grade halloysite with the highest individual result returned to date of 37% halloysite<sup>3</sup>.

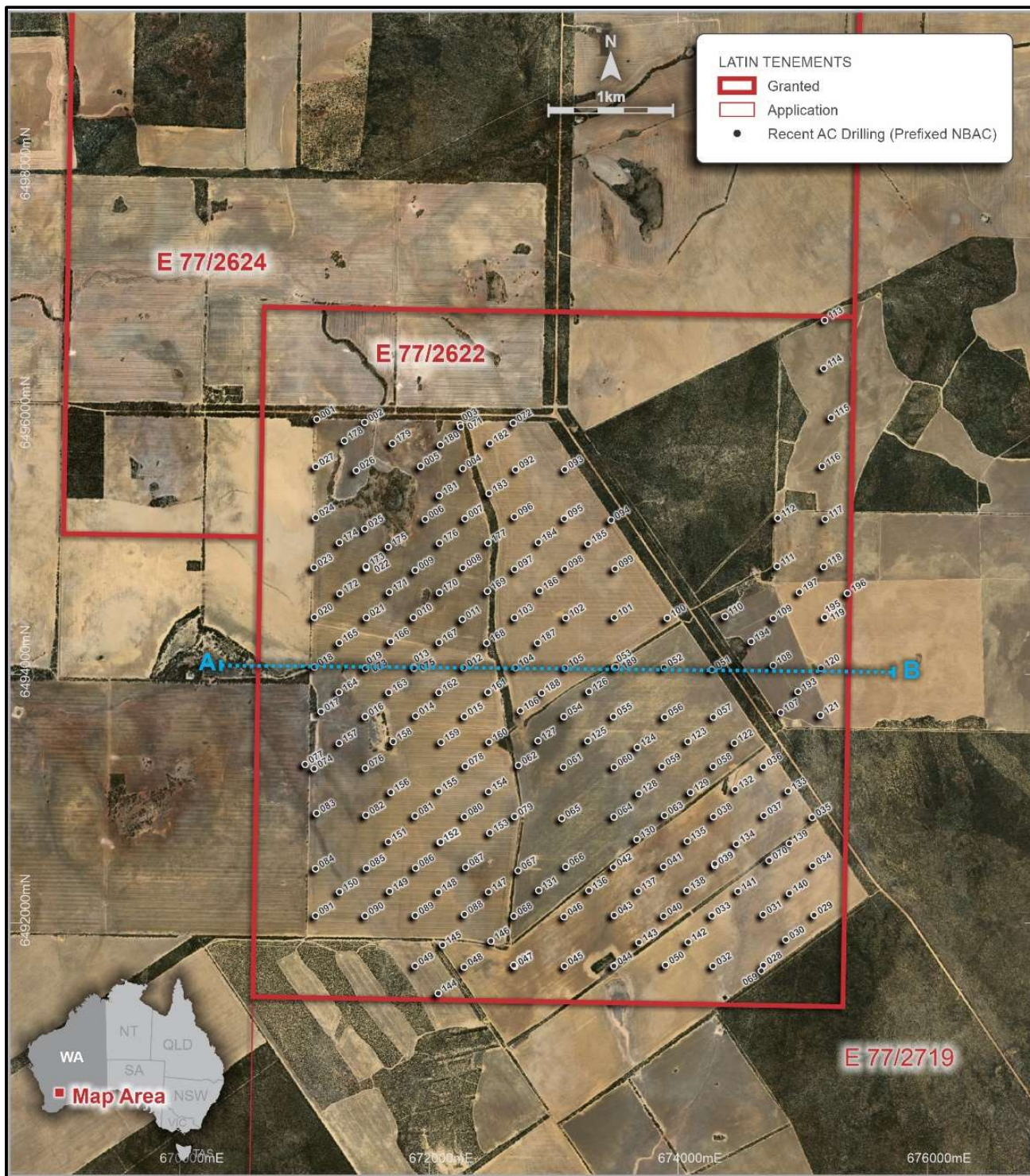
A list of selected significant results received to date are included in Table 1 below:

<sup>1</sup> Refer to ASX announcement dated 20 November 2019 and 22 January 2020, for sampling details and results

<sup>2</sup> Refer to ASX announcement dated 19 January 2021 for drill collar details

<sup>3</sup> Refer to ASX Announcement dated 24 February 2021

## REVIEW OF OPERATIONS

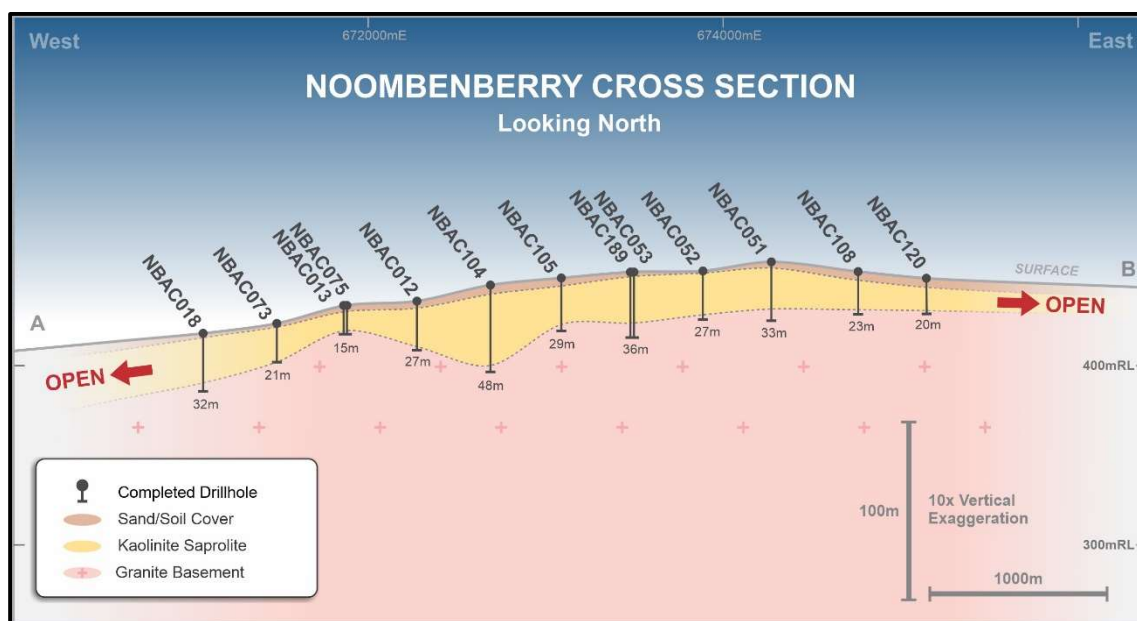


**Figure 3: Noombenberry Project Air-Core Drill Collar Location Plan**

## REVIEW OF OPERATIONS



**Figure 4** – Air-core drill cuttings from Drill holes<sup>4</sup> NBAC058 (0-63m) left, and NBAC044 (0-33m) right



**Figure 5** – Air-core drill section 6,494,000mN

<sup>4</sup> Refer to ASX announcement dated 19 January 2021 for drill collar details

## REVIEW OF OPERATIONS

| Hole ID           | From (m) | To (m) | Interval (m) | -45um (%) | Fe2O3 (%) | Al2O3 (%) | TiO2 (%) | SiO2 (%) | Kaolinite (%) | Halloysite (%) | Brightness (%) |
|-------------------|----------|--------|--------------|-----------|-----------|-----------|----------|----------|---------------|----------------|----------------|
| NBAC011           | 9        | 27     | 18           | 41.1      | 0.6       | 34.9      | 0.5      | 49.6     | 80.1          | 4.3            | 80             |
| <i>including:</i> | 9        | 12     | 3            | 42.6      | 0.5       | 37.6      | 0.7      | 47.4     | 77.0          | 19.2           | 79             |
| NBAC012           | 8        | 24     | 16           | 34.0      | 0.9       | 33.0      | 0.5      | 51.3     | 66.2          | 12.2           | 74             |
| <i>including:</i> | 12       | 24     | 12           | 36.6      | 1.0       | 32.9      | 0.4      | 51.1     | 61.8          | 14.8           | 75             |
| NBAC014           | 19       | 27     | 8            | 34.4      | 1.1       | 32.0      | 0.3      | 52.3     | 53.7          | 18.6           | 64             |
| NBAC015           | 13       | 45     | 32           | 43.4      | 0.6       | 35.5      | 0.3      | 49.3     | 75.6          | 11.8           | 81             |
| <i>including:</i> | 32       | 45     | 13           | 32.4      | 0.6       | 32.8      | 0.3      | 51.6     | 46.4          | 28.9           | 79             |
| NBAC017           | 2        | 20     | 18           | 41.7      | 0.6       | 34.0      | 0.4      | 51.2     | 68.0          | 13.5           | 79             |
| <i>including:</i> | 2        | 10     | 8            | 43.6      | 0.7       | 34.9      | 0.7      | 50.5     | 68.2          | 20.1           | 81             |
| NBAC021           | 10       | 24     | 14           | 46.3      | 0.6       | 35.7      | 0.4      | 49.2     | 80.7          | 4.0            | 82             |
| <i>including:</i> | 18       | 24     | 6            | 41.5      | 0.7       | 33.3      | 0.4      | 51.2     | 67.0          | 7.2            | 80             |
| NBAC022           | 9        | 26     | 17           | 73.4      | 0.8       | 37.5      | 1.4      | 46.2     | 79.2          | 15.0           | 77             |
| <i>including:</i> | 9        | 16     | 7            | 59.4      | 1.4       | 36.6      | 1.5      | 46.7     | 66.6          | 27.3           | 72             |
| <i>and</i>        | 24       | 26     | 2            | 68.4      | 0.6       | 37.0      | 1.3      | 46.4     | 76.3          | 14.6           | 80             |
| NBAC031           | 2        | 7      | 5            | 35.6      | 1.1       | 35.0      | 1.3      | 48.2     | 80            | 10             | 73             |
| NBAC034           | 5        | 21     | 16           | 34.4      | 0.9       | 32.4      | 0.4      | 52.2     | 65            | 7              | 77             |
| <i>including:</i> | 9        | 13     | 4            | 32.9      | 0.7       | 34.4      | 0.3      | 50.4     | 66            | 14             | 81             |
| NBAC055           | 3        | 20     | 17           | 34.6      | 1.0       | 33.4      | 0.4      | 51.2     | 65            | 12             | 75             |
| <i>Including:</i> | 8        | 11     | 3            | 49.8      | 0.2       | 36.4      | 0.4      | 48.6     | 65            | 23             | 86             |
| NBAC058           | 8        | 55     | 47           | 33.0      | 0.8       | 33.4      | 0.6      | 51.8     | 79            | 7              | 77             |
| <i>including:</i> | 26       | 43     | 17           | 41.6      | 0.6       | 33.7      | 0.5      | 51.4     | 73            | 12             | 80             |

**Table 1:** Selected Significant test work results from the Noombenberry Halloysite- Kaolin Project WA<sup>5</sup>.

The Company has engaged RSC Mining and Mineral Exploration as geological consultant to undertake the maiden resource estimate for the Noombenberry Project. Work on the estimation process is well underway with the construction of geological wireframes that will form the basis of the resources model. All results are anticipated to be returned from the laboratory in early April 2021.

Latin has signed land access agreements with key landholders on the Noombenberry Project prior to the drill program, enabling the Company to progress the project through the feasibility study levels.

Prices of both kaolin and halloysite have been rising with commercial grade kaolin selling for up to A\$600 per tonne and high-grade halloysite selling for up to A\$4000 per tonne<sup>6</sup>.

### Yarara Gold Project, NSW

In June 2020, Latin announced it had signed a binding farm-in terms sheet with Mining and Energy Group Pty Ltd to earn up to a 75% interest in a gold project, Yarara, within the highly prospective Lachlan Fold gold belt of NSW (Figure 6).

Lachlan Fold Belt is a well-established mineral province hosting several world class mining operations such as Cadia, North Parkes, Tomingley, Cowal and Peak Hill gold mines and is experiencing significant renewed interest following several exploration successes.

<sup>5</sup> Refer to ASX Announcements dated 24 February 2021, 10 March 2021, 17 March 2021 for full details and JORC tables

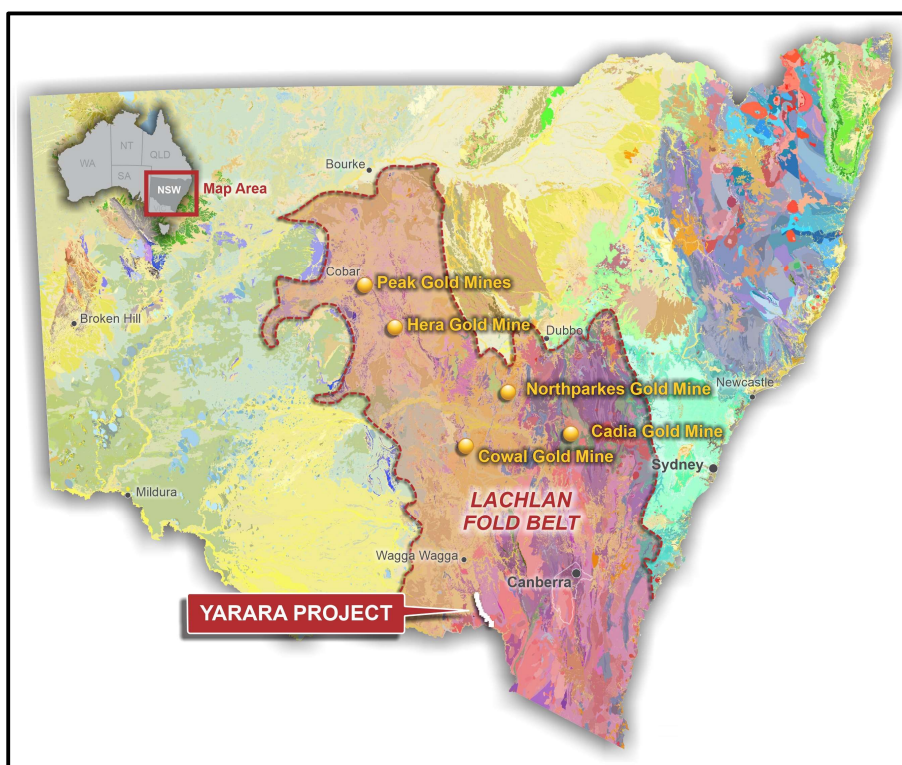
<sup>6</sup> Refer Andromeda Metals Ltd (ASX: ADN) Investor Presentation dated 11 September 2020

## REVIEW OF OPERATIONS

| Mine                         | Max working DEPTH | Production Dates            | Average Grade | Output (Oz Au) |
|------------------------------|-------------------|-----------------------------|---------------|----------------|
| Rangatira                    | 45m               | 1877,1905,1935              | 60 g/t        | 781            |
| Just in Time                 | 24m               | 1876,1905,1935              | 30 g/t        | 22,515         |
| Perseverance                 | 66m               | 1875-81, 1905-10<br>1935-37 | 45 g/t        | 2,540          |
| Four Mile Creek& Mountaineer | 50m               | 1870's 1902-06<br>1935      | 45 g/t        | Unknown        |
| <b>TOTAL</b>                 |                   |                             | 16-37 g/t     | 26,036         |

**Table 2:** Data taken from the Wagga Wagga 1:250,000 Metallogenic Map – Mine data and Metallogenic Study (Mine No. 195-200), Geological Survey of New South Wales 1982 as published in the JC Downes Report, October 2003. The information presented in the above table is open to the public via the Geological Survey of New South Wales, Mine data and Metallogenic Study (Mine No. 195-200) and this information is to be used to assist the company in its exploration efforts over the Yarara Gold Project. <https://search.geoscience.nsw.gov.au/report/R00055625>

The three areas of interest to the Company within the Yarara Project are Yarara Reefs (North), Carboona (Centre) and Ournie (South) (Figure 7).



**Figure 6–** Yarara Project (EL8958) Exploration License regional tenement location – Lachlan Fold belt NSW

## REVIEW OF OPERATIONS

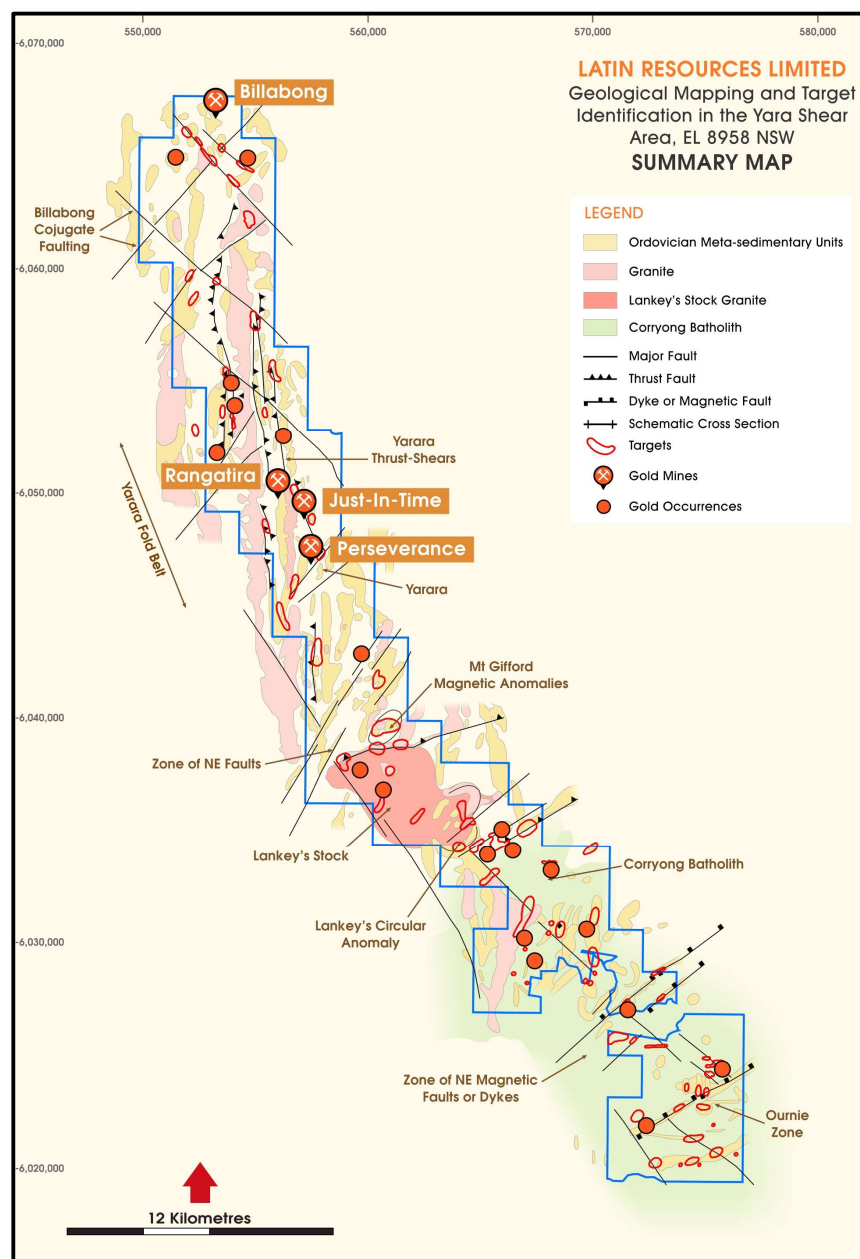
The project area contains numerous old gold workings with at least four main historic high-grade gold mines that targeted high-grade quartz vein systems, including the Billabong Mine, Rangatira Mine, Perseverance Mine and Just-in-Time Mine. An initial structural interpretation based on the available regional datasets highlighted well over 30 target areas, including numerous priority areas, which Latin believes are highly prospective for a range of gold mineralisation styles.

During the December 2020 quarter, Latin continued its efforts to secure land access in priority target areas of the Yarara Project (EL8958), allowing the Company to plan on-ground reconnaissance mapping and prospecting for early January 2021.

In parallel with landholder negotiations, Latin prepared access permits to allow reconnaissance drilling in the state forest area covering the highly prospective Perseverance and Just-in-Time mines for submission to the relevant state authorities.

Latin completed compilation and detailed review of the available regional and project scale geological, geophysical and historic geochemical data covering the project.

The Company is expanding its NSW-based exploration team, including the recruitment of a Senior Geologist to be based in Orange, who will drive on-ground exploration efforts across the Yarara and Manildra Projects.



*Figure 7 – Yarara Gold Project showing regional geology and structures, with priority targets and historic gold occurrences and mines*

## REVIEW OF OPERATIONS

### Manildra Gold project, NSW

Latin secured a major new project in November 2020, within the east Lachlan Fold Belt of NSW, through the successful submission of a new tenement application, ELA6145. The project covers some 280km<sup>2</sup> of highly prospective Silurian age volcanic and sedimentary rocks in the eastern Lachlan Fold Belt, straddling the regional scale Manildra Fault structure for some 30km along strike, which hosts a number of gold and copper occurrences, including the historic Lady Burdett mining centre (Figure 8 & Figure 9).

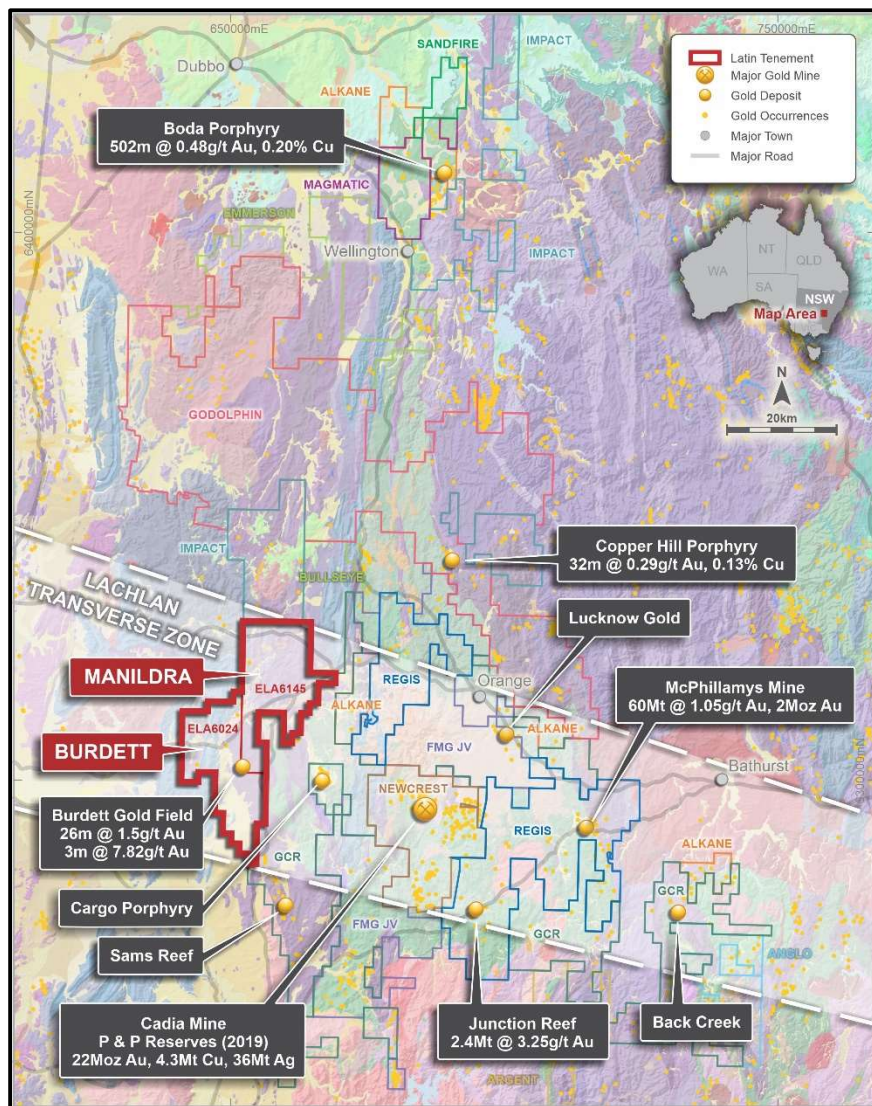


Figure 8: ELA6145 Project Location and regional setting, highlighting major Gold Mines and Deposits in the district<sup>7</sup>.

Following the granting of the new tenement and securing land access and other statutory approvals, Latin proposes to complete regional and project scale first pass targeting exploration, which may include geophysical surveys and low-impact geochemical sampling, followed by RC drilling of any defined targets.

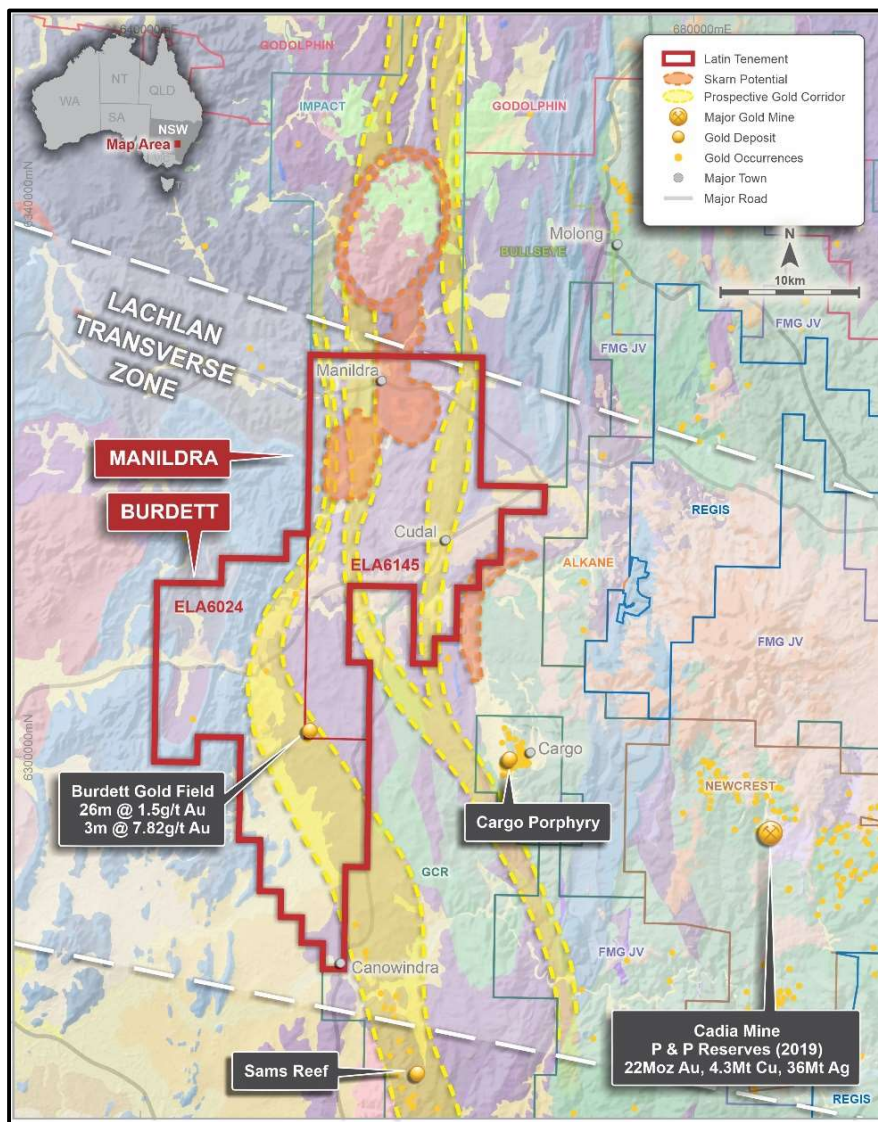
<sup>7</sup> Cadia Mine reserves taken from Newcrest mining Ltd Market release dated 13 February 2020, "Annual Mineral Resources and Ore Reserves Statement". McPhillamys resources taken from <https://regisresources.com.au/McPhillamys-Gold-Project/mcphillamys-gold-project.html>; Copper Hill Porphyry exploration results taken from Godolphin resources Ltd ASX Announcement dated 20 October 2020; Junction Reef Historic reserves taken from Golden Cross Resources Ltd September Quarterly Report dated 29 October 2020, Lady Burdett Gold fields results taken from DIS reports RE0008558, RE0009084, RE0012105 & R11070340 – Refer to LRS ASX Announcement dated 3 December 2020.

## REVIEW OF OPERATIONS

### Burdett Project, NSW

Latin secured another major new project within the east Lachlan Fold Belt of NSW, through the acquisition of tenement application ELA6024, or Burdett Project, covering 252km<sup>2</sup> of highly prospective Silurian age volcanic and sedimentary rocks (Figure 8 & Figure 9).

The project area straddles the regional scale Canowindra Shear Zone, expanding Latin's tenement holding to more than 530km<sup>2</sup> in this highly prospective gold region; covering the north-west extension to the historic Lady Burdett Gold Mining centre, where previous drilling has returned significant gold intersections, including: 26m @ 1.5g/t Au and 3m @ 7.82 g/t Au<sup>8</sup>, close to surface.



**Figure 9:** ELA6145 & ELA6024 Project Locations and major structural trends and prospective corridors, highlighting major Gold Mines and Deposits in the district<sup>9</sup>.

<sup>8</sup> Refer to LRS ASX Announcement dated 3 December 2020

<sup>9</sup> Cadia Mine reserves taken from Newcrest mining Ltd Market release dated 13 February 2020, "Annual Mineral Resources and Ore Reserves Statement". McPhillamys resources taken from <https://regisresources.com.au/McPhillamys-Gold-Project/mcphillamys-gold-project.html>; Copper Hill Porphyry exploration results taken from Godolphin resources Ltd ASX Announcement dated 20 October 2020; Junction Reef Historic reserves taken from Golden Cross Resources Ltd September Quarterly Report dated 29 October 2020, Lady Burdett Gold fields results taken from DIS reports RE0008558, RE0009084, RE0012105 & R11070340 – Refer to LRS ASX Announcement dated 3 December 2020.

## REVIEW OF OPERATIONS

Historic reporting of these gold intersections suggests the orientation of the mineralised lenses may be east-west, within the north-south trending Canowindra shear structure, with the historical drilling orientated sub-parallel to the lenses. Latin will undertake detailed prospect scale mapping and rock-chip sampling of the area to better understand the controls to mineralisation before undertaking further drill testing.

### ***Argentinian Lithium projects***

In June 2020, Latin announced it had signed a joint venture agreement on the Company's Catamarca lithium pegmatite projects with Argentinian investment group Integra Capital S.A. Integra has a diversified portfolio in more than 10 countries and is one of Argentina's largest lithium explorers, holding more than 400,000 hectares of lithium brines projects in Jujuy and Catamarca provinces.

On 1 October 2020, Latin announced Integra had completed due diligence and would enter into a transformational joint venture agreement on the projects. The agreement aligns with the strategic approach by Latin in identifying, acquiring and advancing large-scale land positions of highly prospective mineral projects to attract joint venture partners. The signing of the final Joint Venture Agreement was completed in October, with Mr Jose Luis Manzano of Integra Capital taking a 10% placement in Latin Resources to become Latin's largest shareholder.

Integra will spend up to US\$1 million (A\$1.4 million) under a Joint Venture that will underpin an aggressive exploration program on the Catamarca concessions.

With the primary aim of delivering a maiden JORC resource, the Joint Venture focus will then turn to project development, including feasibility, engineering and metallurgy studies to produce a lithium spodumene concentrate. Latin has already developed a high-level scoping study with consulting engineers Primero Group to develop the Argentinian lithium assets.

Under the JV, Latin will be free-carried through initial exploration with financing for the construction of the processing plant to be in line with percentage ownership between Integra and Latin of the project partnership at the time of the Final Investment Decision.

### ***Pachamanca/MT-03 Copper Project – Peru***

In February 2020, Latin announced its subsidiary Peruvian Latin Resources SAC had signed an extension to the Binding Terms executed with Minera Antares Peru SAC, a subsidiary of Canadian copper producer First Quantum Minerals Ltd.

The current term sheet was extended to 31 December 2020. On-ground activities on Latin's Joint Venture with First Quantum over the MT03 Copper Project were delayed because of Covid-19 lockdown restrictions and a state of emergency in Peru.

A detailed ground magnetic survey is planned over the MT-03 anomaly to assist in the targeting of the planned maiden drill testing of the initial anomaly. While Covid-19 restrictions in Peru remained in force, Latin continues to work with local contract groups.

### ***Guadalupito Project – Peru***

Subsequent to 30 June 2020, Latin's wholly owned subsidiary Peruvian Latin Resources S.A.C ("PLR") lawfully terminated the Contract of Transference of Mining Rights ("Contract") relating to the Guadalupito Project. As a result of the termination of the Contract ownership of the Mining Rights have reverted back to the Vendors and PLR was released from any obligation to pay to the vendors any unpaid portion of the purchase price for the Mining Rights. In other words, all liabilities of PLR relating to the Mining Rights have been extinguished. This impact of the termination is disclosed as part of the discontinued operation in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

## REVIEW OF OPERATIONS

### CORPORATE

#### *Capital raising*

##### *Share Purchase Plan*

In June, Latin completed a Share Purchase Plan, offering eligible shareholders on the Record Date the lowest price per Share permitted by the ASX Listing Rules, being \$0.005 (i.e. 80% of the 5-day VWAP of traded Shares immediately prior to the 25 June 2020 announcement) together with one free attaching Listed Option for every one Share issued under the SPP.

The SPP Offer allowed Eligible Shareholders to subscribe for up to \$15,000 worth of SPP Shares together with the equivalent number of free attaching SPP Options. A prospectus in relation to the SPP Offer was lodged by Latin with ASIC and ASX on 30 June 2020.

The Offer closed on 14 July 2020 and was heavily oversubscribed with the Company receiving applications for a total of 230,160,000 shares raising a total of \$1,150,800. The Company completed a scale-back of applications equally on a pro-rata basis. The 125,458,494 SPP Shares were issued on 17 July 2020.

##### *Placement*

During the June 2020 quarter, the Company completed a share placement to professional and sophisticated investors to raise capital for exploration, project development, working and other capital requirements.

The Placement raised \$215,200 (before costs) through placing 53,800,000 shares in LRS at an issue price of \$0.004 per Share, with 1 free attaching listed options for every 1 Share subscribed for and issued, with an expiry date 31 December 2022 and \$0.012 exercise price. The Listed Options will be issued subject to shareholder approval. The Placement was made without a prospectus or other disclosure document using the Company's existing placement capacity under ASX Listing Rule 7.1.

In September 2020, Latin completed an oversubscribed placement of 59,272,728 shares at an issue price of \$0.011 to sophisticated and professional investors to raise \$652,000 (before costs). The placement was oversubscribed by \$152,000 and completed at a 4% premium to the Company's 10-day VWAP.

Participants received a 1 for 1 free-attaching LRSOC listed option (exercise price \$0.012 – expiry 31 December 2022).

The Placement shares and options were issued using the shareholder approval obtained at the Annual General Meeting on 31 July 2020.

Latin designated proceeds from the Placement to fund exploration work on Latin's Yarara gold project in NSW, project development, maintaining the Company's South American mineral properties in good standing and for working capital.

In December 2020, the Company raised \$5 million via the placement of 166,667,000 shares at an issue price of \$0.03 per share. The Placement Shares were issued to sophisticated and professional investors of Euroz Hartleys Ltd, which acted as sole Lead Manager of Placement. Euroz Hartleys received a Lead Manager fee of 6% of total funds raised. Funds from the Placement have been designated to accelerate the exploration and drilling program at Noombenberry Kaolin Halloysite project and Lachlan Fold Gold projects.

The Company also issued 4,250,000 shares to Stocks Digital in lieu of cash fees for digital advertising and marketing services provided in the December 2020 quarter. In addition, a total of 6,504,962 LRSOC Options (exercisable at \$0.012) were exercised and converted into fully paid ordinary shares.

#### *Entitlement Offer*

Latin Resources received applications for 17,029,511 Shares at an issue price of \$0.006 each with 8,514,755 free attaching Options exercisable at \$0.012 at any time up to 31 December 2022, in accordance with the non-renounceable entitlement offer pursuant to the Prospectus lodged with ASX on 12 December 2019.

Total consideration received from the applications was \$102,177. The Shares subscribed for under the Offer, and free attaching Options were issued on 21 February 2020. A total of 2,084,650 Shares and 1,042,324 free attaching Options were issued to Directors for their participation in the Entitlement Offer.

## REVIEW OF OPERATIONS

### ***Director Share purchase***

Director Brent Jones exercised 999,201 LRSOC options, to acquire 999,201 fully paid ordinary shares for a consideration of \$11,990 demonstrating his commitment and belief in the company's prospects. Subsequent to 31 December 2020, Directors David Vilensky and Chris Gale have between them exercised a combined total of 16,826,848 LRSOC Options to acquire 16,826,848 fully paid ordinary shares for a total consideration of \$201,922.

### ***Board Appointment***

In November 2020, Latin appointed Mr Pablo Tarantini as a Non-Executive Director.

Mr Tarantini's appointment to the Board follows the recent signing of the transformative joint venture agreement on the Company's Catamarca lithium pegmatite projects with Argentinian investment group Integra Capital S.A. Integra have now become a cornerstone investor of Latin, with a shareholding of 10% of the Company through their President Jose Luis Manzano.

### ***Latin appoints Head of Exploration***

In August 2020, Latin appointed highly experienced geologist Mr Tony Greenaway BSc (Geol), as the Company's head of exploration. Mr Greenaway is a senior geologist with broad experience gained over 23 years and covering operations in Australia (WA and Lachlan Fold), Africa, South America (Chile), Central America (Mexico) and Asia (Indonesia). It is envisaged Latin's recent acquisition of the Lachlan Fold Belt located Yarara Gold Project would benefit immediately from Mr Greenaway's background across project initiation, planning and progress.

### ***Convertible Security Funding Agreement***

In February 2021, Latin announced it had concluded its Convertible Security Funding Agreement with Lind Partners New York by repaying the debt in full. Following this early termination of the convertible funding agreement with Lind, the Company remains in a positive financial position with 5 quarters of funding available and no debt. The Company's cash balance of \$4.5 million as at 31 December 2020 is also being strengthened by a steady flow of funds from option holders exercising in-the-money LRSOC Options (\$0.012 LRSOC, Expiry 31 Dec 2022) of which approximately \$6,000,000 remains outstanding.

### ***Competent Person Statement:***

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

*No new information that is considered material is included in this document. All information relating to exploration results has been previously released to the market and is appropriately referenced in this document. JORC tables are not considered necessary to accompany this document.*

## DIRECTORS' REPORT

The directors present their report together with the financial statements of the Group consisting of Latin Resources Limited (Latin or the Company) and its subsidiaries (together the Group) for the year ended 31 December 2020.

### Directors

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

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

David Vilensky is a practising corporate lawyer and an experienced listed company director. He is the Managing Director of Perth law firm Bowen Buchbinder Vilensky and has more than 35 years' experience in the areas of corporate and business law and in commercial and corporate management. Mr Vilensky practises in the areas of corporate and commercial law, corporate advisory, mergers and acquisitions, mining and resources and complex dispute resolution.

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

Mr Vilensky is also a non-executive director of ASX listed telecommunications company, Vonex Ltd (ASX:VN8) and Oar Resources Limited (ASX: OAR).

Mr Vilensky holds a BA LLB degree from the University of Cape Town and is a Member of the Law Society of Western Australia".

#### CHRISTOPHER GALE (Executive Director)

Christopher (Chris) Gale is the Executive Director of Latin Resources. Mr Gale has extensive experience in senior management roles in both the public and private sectors, especially in commercial and financial roles. He has also held various board and executive roles at a number of mining and technology companies during his career.

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

He is also a founding director of Allegra Capital, a boutique corporate advisory firm based in Perth and is a member of the Australian Institute of Company Directors (AICD).

Mr Gale is also a non-executive director of Westminster Resources Limited (TSXV: WMR) (appointed July 2018) and Executive Chairman of Oar Resources Limited (ASX: OAR).

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

Mr. Jones is an experienced financial services professional currently acting as director of Sequoia Financial Group Ltd (ASX:SEQ) Professional Services division. Prior to the sale of InterPrac Ltd to Sequoia in 2017, Mr. Jones was the Managing Director of InterPrac Limited from 2007, an unlisted public company specializing in AFSL, credit and legal services to the accounting industry.

Whilst with InterPrac and currently at Sequoia Financial Group, Mr Jones has supported and participated in many public and private capital markets transactions.

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

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

#### PABLO TARANTINI (Non-Executive Director)

Mr. Tarantini is experienced professional in the mining industry. He has served as Executive Director of the Argentinian Bureau of Investment and International Trade, coordinating investment initiatives, and contributing with his vast experience in several industries and countries. In that role, Mr Tarantini worked together with mining companies settled in the country and supported the promotion of the mining activity in Argentina, along with the Argentinian Secretary of Mining.

He has served as President and Executive Director of SAPISA and Minera Don Nicolás, an Argentinian private fund and one of its investments in the mining sector, respectively. Minera Don Nicolas is the first mining project based on Argentinian capital. He has also served as M&A Director at General Electric and Advent International Corporation for Latin America, and as Manager at A.T. Kearney. In all these roles, he carried out businesses and projects at the regional level.

## DIRECTORS' REPORT

Mr. Tarantini is a Public Accountant and holds a Bachelor's Degree in Business Administration from Universidad Católica Argentina (UCA) and a Master in Business Administration from Harvard Business School.

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

### Directors' shares and share rights

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

| Director        | Ordinary shares<br>Number | Share rights<br>Number | Loan funded<br>shares | Share options<br>Number |
|-----------------|---------------------------|------------------------|-----------------------|-------------------------|
| David Vilensky  | 14,848,259                | 3,481,791              | 1,000,000             | -                       |
| Brent Jones     | 23,979,817                | 2,686,567              | 1,000,000             | 20,833,250              |
| Chris Gale      | 15,844,182                | 15,850,746             | 2,000,000             | 40,000                  |
| Pablo Tarantini | -                         | -                      | -                     | -                       |

### Company secretary

#### SARAH SMITH

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

### Principal activities

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

### Financial review

#### RESULTS

The consolidated profit after tax of the Group for the year ended 31 December 2020 was \$3,551,246 (2019: loss of \$5,539,154).

The result comprises of gain from discontinued operation of \$4.7 million (2019: loss of \$1.2 million), reversal of prior year impairment of \$0.8 million (2019: nil), finance expenses of \$0.4 million (2019: \$0.6 million), employee benefits expense of \$0.7 million (2019: \$0.7 million) and other income and expense items \$0.9 million (2019: \$1.9 million).

#### ASSETS

Total assets increased marginally by \$0.6 million during the year to \$13.3 million. The movement primarily comprised of an increase in cash of \$3.8 million and an increase in investment and other assets by about \$1.3 million, which were offset with the decrease in value of exploration expenditure of \$4.2 million and trade and other receivables by about \$0.26 million.

#### LIABILITIES

Total liabilities decreased by \$11.1 million to \$2.3 million during the year. The decrease was due to the decrease in interest bearing loans and borrowings by about \$1.6 million together with the decrease of \$9.2 million in deferred consideration for the Guadalupito Project due to the termination of the agreement to acquire the project, and a decrease in trade and other payables of \$0.3 million.

#### EQUITY

Total equity increased by \$11.7 million during the year to \$11 million. The increase reflects the current period profit of \$3.5 million for the year together with an increase in share capital of \$8.25 million.

#### SHAREHOLDER RETURNS

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

## DIRECTORS' REPORT

Shareholder returns for the last 5 years is as follows:

|  | December<br>2020 | December<br>2019 | December<br>2018 | December<br>2017 | December<br>2016 |
|--|------------------|------------------|------------------|------------------|------------------|
| Profit/(Loss) attributable to the Group (\$) | 3,551,246        | (5,539,154)      | (5,553,476)      | (2,381,967)      | (7,844,976)      |
| Basic earning/(loss) per share (Cents)       | 0.6              | (3.7)            | (0.2)            | (0.12)           | (0.63)           |
| Dividends (\$)                               | Nil              | Nil              | Nil              | Nil              | Nil              |
| Closing share price (\$)                     | \$0.033          | \$0.005          | 0.003            | 0.011            | 0.012            |
| Total shareholder return (%)                 | 560              | (93)             | (73)             | (8)              | 140              |

### 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 2020.

### Liquidity and capital resources

The Group's principal source of liquidity as at 31 December 2020 is cash and cash equivalents of \$4,533,257 (2019: \$733,282).

Funding for 2021 is expected from a combination of proceeds from the sale or joint venturing of interests in existing projects, further capital raisings, and the conversion of options.

### Shares, share rights and options

As at 31 December 2020 the Company had 1,190,910,311 fully paid Shares on issue, 4,000,000 loan funded unquoted shares on issue, 649,648,381 Share Options on issue.

#### SHARES

A total of 847,544,516 fully paid ordinary shares were issued during the year. A breakdown of the shares issued is shown at Note 19 of the financial statements.

#### SHARE RIGHTS

During the year no share rights were issued to directors or employees.

#### OPTIONS

During the year 511,903,342 options were issued as part of the entitlement issue, SPP, share placement and project acquisition. 6,504,962 options were exercised during the period.

As at the date of this report there were 649,648,381 Share Options on issue.

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

### Significant changes in the state of affairs

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

## **DIRECTORS' REPORT**

### **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 Executive Director and Chief Financial Officer have provided assurance in writing to the Board that they believe that the Group's material business risks are being managed effectively and that the Group'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 01 February 2021, the Company announced that it has concluded the Convertible security funding agreement with Lind Partners New York by paying the outstanding balance \$ 900,000 on 7 January 2021 and issuing 20,000,000 unlisted options exercisable at \$0.03 on or before 01 December 2022 on 29 January 2021.

On 2 March 2021, Directors David Vilensky and Chris Gale have between them exercised a combined total of 16,826,848 LRSOC Options to acquire 16,826,848 fully paid ordinary shares for a total consideration of \$201,922.

### **Impact of COVID-19**

As previously disclosed, the Group has exploration projects in Latin America (Peru, Argentina and Brazil). The region has been badly affected by COVID-19. The Group's offices in Latin America are now closed and staff are working from home. Despite this, the Group assessment has determined that there has been no significant impact on the performance or financial position of the Group as at 31 December 2020, other than as disclosed in Note 31: Discontinued Operations.

### **Likely developments and expected results**

In 2021 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 while continuing to focus on further exploration for its Australian Project. 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' REPORT

### Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held for the year ended 31 December 2020 and the number of meetings attended by each director is as follows:

| Director        | Board meetings held | Board meetings attended |
|-----------------|---------------------|-------------------------|
| David Vilensky  | 8                   | 8                       |
| Chris Gale      | 8                   | 8                       |
| Brent Jones     | 8                   | 8                       |
| Pablo Tarantini | 1                   | 1                       |

### Committee membership

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

### Corporate governance statement

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

### Diversity

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

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

The Board has established a policy regarding diversity and details of the policy are available on the Company's website. Gender composition of the Group's workforce for the 2020 year is included in the Company's Corporate Governance Statement

### Auditors' independence declaration

The auditors' independence declaration is set out on page 62 and forms part of the Directors' report for the year ended 31 December 2020.

### Non-audit services

Non-audit services provided by the Group's auditor Hall Chadwick during the year ended 31 December 2020 is shown at Note 28 of the financial statements.

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

## DIRECTORS' REPORT

### Remuneration report (Audited)

This remuneration report for the year ended 31 December 2020 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 |
| Pablo Tarantini | Non-Executive Director |

##### Executive director

|            |                    |
|------------|--------------------|
| Chris Gale | Executive Director |
|------------|--------------------|

##### Other Executives

|                   |                         |
|-------------------|-------------------------|
| Sarah Smith       | Company Secretary       |
| Yugi Gouw         | Chief Financial Officer |
| Anthony Greenaway | Exploration Manager     |

#### REMUNERATION GOVERNANCE

##### Remuneration Committee

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

The Board approves the remuneration arrangements of the Executive 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 Executive 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 remuneration of executive directors of comparable companies and scope and extent of the Company's activities. Non-executive directors are also entitled to participate in the Non-executive director Deferred Rights plan which was re-approved by shareholders on 31 July 2020. Directors do not receive retirement benefits nor do they participate in any incentive programs.

No share rights were issued to directors during the year.

28,283,250 free attaching LRSOC Options were issued together with 28,283,250 fully paid ordinary shares to non-executive directors in lieu of their outstanding directors' fees from current and prior year.

## **DIRECTORS' REPORT**

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

The Non-Executive Director Deferred Rights Plan was re-approved by shareholders on 31 July 2020 for the purpose of retaining Non-executive directors, controlling the cash cost of directors fees and aligning the interests of Non-executive directors with shareholders and providing them with the opportunity to participate in the future growth of the Group.

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

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

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

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

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

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

### **EXECUTIVE REMUNERATION ARRANGEMENTS**

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

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

#### **Fixed remuneration**

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

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

#### **Variable remuneration**

The Company established an Incentive Rights Plan (the Plan) that was re-approved by shareholders on 31 July 2020 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, any entitlement to STI is determined at the discretion of the Board (Remuneration Committee).

## DIRECTORS' REPORT

### **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 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 Executive Director can receive is 60% and for other executives it is 45%.

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

### **Employment agreements and contracts**

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

#### **Non-Executive Directors**

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

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

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

No committee fees are paid.

#### **Executive Director**

The Executive Director is currently employed under a consultancy agreement for a two-year term ending on 30 September 2021. Mr Gale is paid a fixed remuneration of A\$270,000 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 Executive 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 Executive Director is entitled to a payment equivalent of up to two year fees, 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.

## **DIRECTORS' REPORT**

### ***Exploration Manager***

The Exploration Manager is employed under an employment agreement with no fixed term where either party may terminate the agreement with or without cause by giving one month notice.

### ***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 excluding GST with additional fees charged for shareholder meetings and corporate actions.

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

The current CFO is employed under an employment agreement with no fixed term where either party may terminate the agreement with or without cause by giving one month and three months' notice respectively.

The previous CFO was employed under a consultancy arrangement with either party may terminate the agreement immediately by giving written notice.

### **Prohibition on trading**

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

## DIRECTORS' REPORT

### REMUNERATION OF KEY MANAGEMENT PERSONNEL AND EXECUTIVES FOR THE YEAR ENDED 31 DECEMBER 2020

| 12 months to<br>31 Dec 2020 | Short-term benefits |               |                      | Post-<br>employment | Other long-<br>term benefits | Share-based payments                     |               |                       | Total          | Performance<br>related | Equity<br>compensation |
|-----------------------------|---------------------|---------------|----------------------|---------------------|------------------------------|--|---------------|-----------------------|----------------|------------------------|------------------------|
|                             | Salary &<br>Fees    | Bonus         | Non-cash<br>benefits | Super               | Long service<br>leave        | Share<br>rights/<br>Options <sup>4</sup> | Shares        | Loan funded<br>shares |                |                        |                        |
|                             | \$                  | \$            | \$                   | \$                  | \$                           | \$                                       | \$            | \$                    | \$             | %                      | %                      |
| <b>Directors</b>            |                     |               |                      |                     |                              |  |               |                       |                |                        |                        |
| D. Vilensky                 | 64,800              | -             | -                    | -                   | -                            | 22,350                                   | -             | -                     | 87,150         | 26                     | -                      |
| C. Gale                     | 270,000             | 20,000        | -                    | -                   | -                            | 52,312                                   | -             | -                     | 342,312        | 21                     | -                      |
| B. Jones                    | 50,000              | -             | -                    | -                   | -                            | 62,500                                   | -             | -                     | 112,500        | 56                     | -                      |
| P. Tarantini <sup>1</sup>   | 8,333               | -             | -                    | -                   | -                            | -  | -             | -                     | 8,333          | -                      | -                      |
| <b>Other KMP</b>            |                     |               |                      |                     |                              |  |               |                       |                |                        |                        |
| S. Smith                    | 44,150              | -             | -                    | -                   | -                            | -  | 8,000         | -                     | 52,150         | 15                     | -                      |
| Y. Gouw <sup>2</sup>        | 76,410              | -             | -                    | 7,259               | -                            | -  | 8,000         | -                     | 91,669         | 9                      | -                      |
| A. Greenaway <sup>3</sup>   | 38,141              | -             | -                    | 3,623               | -                            | -  | -             | -                     | 41,764         | -                      | -                      |
| <b>Total</b>                | <b>551,834</b>      | <b>20,000</b> | -                    | <b>10,882</b>       | -                            | <b>137,162</b>                           | <b>16,000</b> | -                     | <b>735,878</b> | <b>25</b>              | -                      |

<sup>1</sup> Mr. Tarantini was appointed on 2<sup>nd</sup> November 2020 as a Non-Executive Director.

<sup>2</sup> Mr. Gouw was appointed on 20<sup>th</sup> January 2020 as Chief Financial Officer.

<sup>3</sup> Mr. Greenaway was appointed on 11<sup>th</sup> August 2020 as General Manager - Explorations.

<sup>4</sup> Free attaching LRSOC Options were issued to directors as part of the payment of the outstanding directors' fees which was paid by ordinary shares in accordance with shareholder approval granted on 31 July 2020 .

## DIRECTORS' REPORT

### REMUNERATION OF KEY MANAGEMENT PERSONNEL AND EXECUTIVES FOR THE YEAR ENDED 31 DECEMBER 2019

|                              | Short-term benefits |          |                   | Post-employment | Other long-term benefits | Share-based payments |          |                    | Total          | Performance related | Equity compensation |
|------------------------------|---------------------|----------|-------------------|-----------------|--------------------------|----------------------|----------|--------------------|----------------|---------------------|---------------------|
| 12 months to 31 Dec 2019     | Salary & Fees       | Bonus    | Non-cash benefits | Super           | Long service leave       | Share rights         | Shares   | Loan funded shares |                |                     |                     |
|                              | \$                  | \$       | \$                | \$              | \$                       | \$                   | \$       | \$                 | \$             | %                   | %                   |
| <b>Directors</b>             |                     |          |                   |                 |                          |                      |          |                    |                |                     |                     |
| D. Vilensky                  | 64,800              | -        | -                 | -               | -                        | -                    | -        | -                  | 64,800         | -                   | -                   |
| C. Gale                      | 295,000             | -        | -                 | -               | -                        | 82,279 <sup>3</sup>  | -        | -                  | 377,279        | 22                  | -                   |
| B. Jones                     | 50,000              | -        | -                 | -               | -                        | -                    | -        | -                  | 50,000         | -                   | -                   |
| <b>Other KMP</b>             |                     |          |                   |                 |                          |                      |          |                    |                |                     |                     |
| S. Smith                     | 52,106              | -        | -                 | -               | -                        | -                    | -        | -                  | 52,106         | -                   | -                   |
| J. Grygorcewicz <sup>1</sup> | 86,100              | -        | -                 | -               | -                        | -                    | -        | -                  | 86,100         | -                   | -                   |
| S. Moyle <sup>2</sup>        | 72,938              | -        | -                 | 4,545           | -                        | -                    | -        | -                  | 77,483         | -                   | -                   |
| <b>Total</b>                 | <b>620,944</b>      | <b>-</b> | <b>-</b>          | <b>4,545</b>    | <b>-</b>                 | <b>82,279</b>        | <b>-</b> | <b>-</b>           | <b>707,768</b> | <b>22</b>           | <b>-</b>            |

<sup>1</sup> Mr Grygorcewicz's consultancy contract with the Company was terminated effective 31 December 2019.

<sup>2</sup> Mr Moyle contract with the Company was changed into a consultancy arrangement before termination effective 31 August 2019.

<sup>3</sup> \$82,279 relates to 48,026,319 incentive and 9,005,323 retention share rights approved for issue by shareholders in prior years. Of this amount \$32,912 was expensed and the balance was capitalised.

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

## DIRECTORS' REPORT

### ADDITIONAL DISCLOSURES RELATING TO REMUNERATION

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

| 31 Dec 2020               | Balance at start of year | Granted as remuneration | On exercise of options/conversion of rights | Net change other   | Balance at end of year |
|---------------------------|--------------------------|-------------------------|---|--------------------|------------------------|
| <b>Directors</b>          |                          |                         |   |                    |                        |
| D. Vilensky               | 602,366                  | 7,450,000 <sup>3</sup>  | -   | 1,079,213          | 9,131,579              |
| C. Gale                   | 732,874                  | 17,437,500 <sup>3</sup> | -   | (9,312,596)        | 8,857,778              |
| B. Jones                  | 1,473,877                | 20,833,250 <sup>3</sup> | 999,201                                     | (1,250,890)        | 22,055,438             |
| <b>Other KMP</b>          |                          |                         |   |                    |                        |
| S. Smith                  | -                        | 500,000                 | -   | (131,094)          | 368,906                |
| Y. Gouw <sup>1</sup>      | -                        | 500,000                 | -   | -                  | 500,000                |
| A. Greenaway <sup>2</sup> | -                        | -                       | -   | -                  | -                      |
|                           | <b>2,809,117</b>         | <b>46,720,750</b>       | <b>999,201</b>                              | <b>(9,615,367)</b> | <b>40,913,701</b>      |

<sup>1</sup> Mr. Gouw was appointed on 20<sup>th</sup> January 2020 as Chief Financial Officer.

<sup>2</sup> Mr. Greenaway was appointed on 11<sup>th</sup> August 2020 as General Manager - Explorations.

<sup>3</sup> At the Annual General Meeting held on 31 July 2020, shareholders approved the settlement of outstanding Directors' fees with fully paid ordinary shares and listed LRSOC options.

| 31 Dec 2019                  | Balance at start of year | Granted as remuneration | On exercise of options | Net change other          | Balance at end of year |
|------------------------------|--------------------------|-------------------------|------------------------|---------------------------|------------------------|
| D. Vilensky                  | 15,059,136               | -                       | -                      | (14,456,770) <sup>3</sup> | 602,366                |
| C. Gale                      | 9,531,042                | -                       | -                      | (17,588,960) <sup>3</sup> | 732,874                |
| B. Jones                     | 29,346,899               | -                       | 8,790,792              | (27,873,022) <sup>3</sup> | 1,473,877              |
| <b>Other KMP</b>             |                          |                         |                        |                           |                        |
| S. Smith                     | -                        | -                       | -                      | -                         | -                      |
| J. Grygorcewicz <sup>1</sup> | 1,000,000                | -                       | -                      | (1,000,000)               | -                      |
| S Moyle <sup>2</sup>         | 1,000,000                | -                       | -                      | (1,000,000)               | -                      |
|                              | <b>56,937,077</b>        | <b>-</b>                | <b>8,790,792</b>       | <b>(62,918,752)</b>       | <b>2,809,117</b>       |

<sup>1</sup> Mr Grygorcewicz consultancy contract with the Company was terminated effective 31 December 2019.

<sup>2</sup> Mr Moyle consultancy contract with the Company was terminated effective 31 August 2019.

<sup>3</sup> The Reduction is due to 1:25 share consolidation.

#### Loan Funded Shares

| 31 Dec 2020 | Balance at start of year | Granted as remuneration | On exercise of options | Net change other <sup>1</sup> | Balance at end of year |
|-------------|--------------------------|-------------------------|------------------------|-------------------------------|------------------------|
| D. Vilensky | 1,000,000                | -                       | -                      | -                             | 1,000,000              |
| C. Gale     | 2,000,000                | -                       | -                      | -                             | 2,000,000              |
| B. Jones    | 1,000,000                | -                       | -                      | -                             | 1,000,000              |
|             | <b>4,000,000</b>         | <b>-</b>                | <b>-</b>               | <b>-</b>                      | <b>4,000,000</b>       |
| 31 Dec 2019 | Balance at start of year | Granted as remuneration | On exercise of options | Net change other              | Balance at end of year |
| D. Vilensky | 25,000,000               | -                       | -                      | (24,000,000)                  | 1,000,000              |
| C. Gale     | 50,000,000               | -                       | -                      | (48,000,000)                  | 2,000,000              |
| B. Jones    | 25,000,000               | -                       | -                      | (24,000,000)                  | 1,000,000              |
|             | <b>100,000,000</b>       | <b>-</b>                | <b>-</b>               | <b>(96,000,000)</b>           | <b>4,000,000</b>       |

There were no loans to key management personnel during the financial year 2019 and 2020.

## DIRECTORS' REPORT

### ADDITIONAL DISCLOSURES RELATING TO REMUNERATION

In 2018, At the Annual General Meeting held 28 May 2018, shareholders approved the adoption of the Latin Resources Limited Loan Funded Share Plan and also approved the issue of 100,000,000 loan funded shares to directors. The loan funded shares are issued at cost of 1.1 cents per share which is funded by a loan from the Company. The loans are interest free and with limited recourse to the participant and are unquoted shares until the loan has been repaid. The Plan requires the loan to be repaid before the participant can sell their shares. <sup>1</sup> The reduction is due to the 1:25 share consolidation.

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

|                    | Balance at<br>start of year | Granted as<br>remuneration | Converted to<br>Shares | Net change<br>other | Balance at<br>end of year |
|--------------------|-----------------------------|----------------------------|------------------------|---------------------|---------------------------|
| <b>31 Dec 2020</b> |                             |                            |                        |                     |                           |
| <b>Directors</b>   |                             |                            |                        |                     |                           |
| D. Vilensky        | -                           | -                          | -                      | -                   | -                         |
| C. Gale            | -                           | -                          | -                      | -                   | -                         |
| B. Jones           | -                           | -                          | -                      | -                   | -                         |
| <b>Other KMP</b>   |                             |                            |                        |                     |                           |
| S. Smith           | -                           | -                          | -                      | -                   | -                         |
| Y. Gouw            | -                           | -                          | -                      | -                   | -                         |
| A. Greenaway       | -                           | -                          | -                      | -                   | -                         |
|                    | -                           | -                          | -                      | -                   | -                         |
| <b>31 Dec 2019</b> |                             |                            |                        |                     |                           |
| D. Vilensky        | -                           | -                          | -                      | -                   | -                         |
| C. Gale            | 57,031,642                  | -                          | (9,005,323)            | (48,026,319)        | -                         |
| B. Jones           | -                           | -                          | -                      | -                   | -                         |
| <b>Other KMP</b>   |                             |                            |                        |                     |                           |
| S. Smith           | -                           | -                          | -                      | -                   | -                         |
| J. Grygorcewicz    | -                           | -                          | -                      | -                   | -                         |
| S. Moyle           | -                           | -                          | -                      | -                   | -                         |
|                    | <b>57,031,642</b>           | <b>-</b>                   | <b>(9,005,323)</b>     | <b>(48,026,319)</b> | <b>-</b>                  |

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

|   | Number     | Grant date | Vested in<br>year (%) | Net<br>change<br>other (%) | Date at which share<br>rights are to be<br>vested |
|---|------------|------------|-----------------------|----------------------------|---|
| <b>Directors</b>                          |            |            |                       |                            |   |
| D. Vilensky                               | -          | -          | -                     | -                          | -   |
| C. Gale – Retention rights <sup>1</sup>   | 9,005,323  | 31/10/2016 | 100                   | -                          | 31/10/2019  |
| C. Gale – Performance rights <sup>1</sup> | 48,026,319 | 31/10/2016 | -                     | 100                        | 31/10/2019  |
| B. Jones                                  | -          | -          | -                     | -                          | -   |
| <b>Other KMP</b>                          |            |            |                       |                            |   |
| S. Smith                                  | -          | -          | -                     | -                          | -   |
| J. Grygorcewicz                           | -          | -          | -                     | -                          | -   |

<sup>1</sup> 48,026,319 of the performance rights issued to Mr Gale lapsed as they did not meet the vesting criteria.

## DIRECTORS' REPORT

### ADDITIONAL DISCLOSURES RELATING TO REMUNERATION

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

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

| 31 Dec 2020      | Balance at start of year | Granted as remuneration | Exercised | Net change other | Balance at end of year | Vested exercisable | Vested not exercisable |
|------------------|--------------------------|-------------------------|-----------|------------------|------------------------|--------------------|------------------------|
| <b>Directors</b> |                          |                         |           |                  |                        |                    |                        |
| D. Vilensky      | -                        | 7,450,000 <sup>1</sup>  | -         | 812,152          | 8,262,152              | -                  | -                      |
| C. Gale          | -                        | 17,437,500 <sup>1</sup> | -         | (2,383,752)      | 15,053,748             | -                  | -                      |
| B. Jones         | -                        | 20,833,250 <sup>1</sup> | (999,201) | 999,201          | 20,833,250             | -                  | -                      |
| <b>Other KMP</b> |                          |                         |           |                  |                        |                    |                        |
| S. Smith         | -                        | -                       | -         | -                | -                      | -                  | -                      |
| Y. Gouw          | -                        | -                       | -         | -                | -                      | -                  | -                      |
| A. Greenaway     | -                        | -                       | -         | -                | -                      | -                  | -                      |
|                  | -                        | 45,720,750              | (999,201) | (572,399)        | 44,149,150             | -                  | -                      |

<sup>1</sup> At the Annual General Meeting held on 31 July 2020, shareholders approved the settlement of outstanding Directors' fees with fully paid ordinary shares and listed LRSOC options.

| 31 Dec 2019                  | Balance at start of year | Granted as remuneration | Exercised | Net change other | Balance at end of year | Vested exercisable | Vested not exercisable |
|------------------------------|--------------------------|-------------------------|-----------|------------------|------------------------|--------------------|------------------------|
| <b>Directors</b>             |                          |                         |           |                  |                        |                    |                        |
| D. Vilensky                  | -                        | -                       | -         | -                | -                      | -                  | -                      |
| C. Gale                      | -                        | -                       | -         | -                | -                      | -                  | -                      |
| B. Jones                     | -                        | -                       | -         | -                | -                      | -                  | -                      |
| <b>Other KMP</b>             |                          |                         |           |                  |                        |                    |                        |
| S. Smith                     | -                        | -                       | -         | -                | -                      | -                  | -                      |
| J. Grygorcewicz <sup>1</sup> | 1,000,000                | -                       | -         | (1,000,000)      | -                      | -                  | -                      |
| S. Moyle                     | -                        | -                       | -         | -                | -                      | -                  | -                      |
|                              | 1,000,000                | -                       | -         | (1,000,000)      | -                      | -                  | -                      |

<sup>1</sup> Mr Grygorcewicz consultancy contract with the Company was terminated effective 31 December 2019.

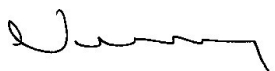
#### (d) Loans to key management personnel

There were no loans to key management personnel during 2020 and 2019 financial years.

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

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

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



**David Vilensky**  
**Chairman**

Signed on 31 March 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the twelve months ended 31 December 2020

|  | Notes | 31 Dec 2020<br>\$  | 31 Dec 2019<br>\$  |
|--|-------|--------------------|--------------------|
| Interest revenue   |       | 360                | 905                |
| Other income and losses  | 5     | 176,522            | (1,119,481)        |
| Depreciation and amortisation expense  | 13    | (16,606)           | (19,123)           |
| Employee benefits expense  | 6(a)  | (714,888)          | (655,909)          |
| Finance expenses   | 6(b)  | (402,429)          | (581,481)          |
| Equity share of associated company gain/(loss)   | 12    | 42,413             | (215,069)          |
| Profit/(Loss) on fair value of financial assets through profit or loss                             |       | 6,455              | (300,822)          |
| Impairment   |       | -                  | (836,145)          |
| Reversal of impairment   | 12    | 765,835            | -                  |
| Other expenses   | 6(c)  | (1,029,496)        | (630,396)          |
| <b>Profit/(Loss) continuing operations before tax</b>  |       | <b>(1,171,834)</b> | <b>(4,357,521)</b> |
| Income tax benefit   | 7     | -                  | -                  |
| <b>Profit/(Loss) for the year from continuing operations</b>                                       |       | <b>(1,171,834)</b> | <b>(4,357,521)</b> |
| <b>Profit/(Loss) attributable to owners of the Parent Company</b>                                  |       | <b>(1,171,834)</b> | <b>(4,357,521)</b> |
| Gain/(Loss) from discontinued operation  | 31    | 4,723,080          | (1,181,633)        |
| <b>Net profit for the period</b>   |       | <b>3,551,246</b>   | <b>(5,539,154)</b> |
| <b>Other comprehensive income/(expense)</b>  |       |                    |                    |
| <i>Items that cannot be reclassified to profit or loss in subsequent periods:</i>                  |       | -                  | -                  |
| <i>Items that may be reclassified to profit or loss in subsequent periods:</i>                     |       |                    |                    |
| Exchange differences on translating foreign operations   | 20    | (491,090)          | 672,078            |
| <b>Total comprehensive profit/(loss) for the year attributable to owners of the Parent Company</b> |       | <b>3,060,156</b>   | <b>(4,867,076)</b> |
| Basic earning/(loss) per share (Cents)   | 8     | 0.6                | (3.7)              |
| Diluted earning/(loss) per share (Cents)   | 8     | 0.4                | (3.7)              |

*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 2020

|   | Notes | 31 Dec 2020<br>\$ | 31 Dec 2019<br>\$ |
|---|-------|-------------------|-------------------|
| <b>ASSETS</b>                                     |       |                   |                   |
| <b>Current assets</b>                             |       |                   |                   |
| Cash and cash equivalents                         | 9(a)  | 4,533,257         | 733,282           |
| Trade and other receivables                       | 10    | 331,719           | 591,685           |
| Other assets                                      | 11(a) | 43,700            | 43,700            |
| <b>Total current assets</b>                       |       | <b>4,908,676</b>  | <b>1,368,667</b>  |
| <b>Non-current assets</b>                         |       |                   |                   |
| Investments accounted for using the equity method | 12    | 924,860           | -                 |
| Plant and equipment                               | 13    | 39,347            | 55,757            |
| Other assets                                      | 11(b) | 376,000           | -                 |
| Exploration and evaluation assets                 | 14    | 7,082,034         | 11,292,382        |
| <b>Total non-current assets</b>                   |       | <b>8,422,241</b>  | <b>11,348,139</b> |
| <b>Total assets</b>                               |       | <b>13,330,917</b> | <b>12,716,806</b> |
| <b>LIABILITIES</b>                                |       |                   |                   |
| <b>Current liabilities</b>                        |       |                   |                   |
| Trade and other payables                          | 15    | 1,356,643         | 1,693,434         |
| Interest bearing loans and borrowings             | 16    | 900,000           | 2,535,755         |
| Deferred consideration                            | 17(a) | -                 | 22,000            |
| Provisions  | 18    | 43,910            | 41,330            |
| <b>Total current liabilities</b>                  |       | <b>2,300,553</b>  | <b>4,292,519</b>  |
| <b>Non-current liabilities</b>                    |       |                   |                   |
| Deferred consideration                            | 17(b) | -                 | 9,161,111         |
| <b>Total non-current liabilities</b>              |       | <b>-</b>          | <b>9,161,111</b>  |
| <b>Total liabilities</b>                          |       | <b>2,300,553</b>  | <b>13,453,630</b> |
| <b>Net (deficiency)/assets</b>                    |       | <b>11,030,364</b> | <b>(736,824)</b>  |
| <b>EQUITY</b>                                     |       |                   |                   |
| Contributed equity                                | 19    | 56,467,554        | 48,218,621        |
| Reserves  | 20    | 10,934,219        | 10,967,210        |
| Accumulated losses                                | 21    | (56,371,409)      | (59,922,655)      |
| <b>Total equity</b>                               |       | <b>11,030,364</b> | <b>(736,824)</b>  |

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months ended 31 December 2020

|                                    | Contributed<br>equity | Share based<br>payment<br>reserve | Foreign<br>currency<br>translation<br>reserve | Accumulated<br>losses | Total             |
|------------------------------------|-----------------------|-----------------------------------|---|-----------------------|-------------------|
|                                    | \$                    | \$                                | \$  | \$                    | \$                |
| <b>Balance at 1 January 2019</b>   | 45,902,186            | 4,617,161                         | 5,227,684                                     | (54,383,501)          | 1,363,530         |
| Profit/(Loss) for the year         | -                     | -                                 | -   | (5,539,154)           | (5,539,154)       |
| Other comprehensive income/(loss)  | -                     | -                                 | 672,078                                       | -                     | 672,078           |
| Total comprehensive income/(loss)  | -                     | -                                 | 672,078                                       | (5,539,154)           | (4,867,076)       |
| Issue of shares                    | 2,690,935             | -                                 | -   | -                     | 2,690,935         |
| Share based payments               | -                     | 450,287                           | -   | -                     | 450,287           |
| Transaction costs                  | (374,500)             | -                                 | -   | -                     | (374,500)         |
| <b>Balance at 31 December 2019</b> | <b>48,218,621</b>     | <b>5,067,448</b>                  | <b>5,899,762</b>                              | <b>(59,922,655)</b>   | <b>(736,824)</b>  |
| <b>Balance at 1 January 2020</b>   | 48,218,621            | 5,067,448                         | 5,899,762                                     | (59,922,655)          | (736,824)         |
| Profit/(Loss) for the year         | -                     | -                                 | -   | 3,551,246             | 3,551,246         |
| Other comprehensive income/(loss)  | -                     | -                                 | (491,090)                                     | -                     | (491,090)         |
| Total comprehensive income/(loss)  | -                     | -                                 | (491,090)                                     | 3,551,246             | 3,060,156         |
| Issue of shares                    | 7,175,739             | -                                 | -   | -                     | 7,175,739         |
| Share based payments               | 1,657,583             | 458,099                           | -   | -                     | 2,115,682         |
| Transaction costs                  | (584,389)             | -                                 | -   | -                     | (584,389)         |
| <b>Balance at 31 December 2020</b> | <b>56,467,554</b>     | <b>5,525,547</b>                  | <b>5,408,672</b>                              | <b>(56,371,409)</b>   | <b>11,030,364</b> |

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve months ended 31 December 2020

|   | Notes | 31 Dec 2020<br>\$  | 31 Dec 2019<br>\$ |
|---|-------|--------------------|-------------------|
| <b>Cash flows from operating activities</b>             |       |                    |                   |
| Receipts from other income                              |       | 76,704             | -                 |
| Payments to suppliers and employees                     |       | (1,101,479)        | (722,791)         |
| Interest received                                       |       | 360                | 905               |
| Interest and other charges paid                         |       | (48,583)           | -                 |
| <b>Net cash flows used in operating activities</b>      | 9(b)  | <b>(1,072,998)</b> | <b>(721,886)</b>  |
| <b>Cash Flows from investing activities</b>             |       |                    |                   |
| Payments for plant and equipment                        | 13    | (4,806)            | -                 |
| Payments to acquire investments                         |       | (110,157)          | -                 |
| Payments for exploration and evaluation assets          |       | (748,495)          | (840,805)         |
| <b>Net cash flows used in investing activities</b>      |       | <b>(863,458)</b>   | <b>(840,805)</b>  |
| <b>Cash flows from financing activities</b>             |       |                    |                   |
| Proceeds from the issue of equity                       |       | 7,175,739          | 1,523,100         |
| Transaction costs of issuing shares                     |       | (434,390)          | (170,691)         |
| Proceeds from options exercised                         |       | 13,082             | -                 |
| Proceeds from / (repayment of) borrowing                |       | (1,018,000)        | 770,000           |
| Transaction costs of borrowings                         |       | -                  | (31,200)          |
| <b>Net cash from financing activities</b>               |       | <b>5,736,431</b>   | <b>2,091,209</b>  |
| Net (decrease in cash and cash equivalents              |       | 3,799,975          | 528,518           |
| Cash and cash equivalents at the beginning of the year  |       | 733,282            | 204,764           |
| Net foreign exchange difference                         |       | -                  | -                 |
| <b>Cash and cash equivalents at the end of the year</b> | 9(a)  | <b>4,533,257</b>   | <b>733,282</b>    |

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Corporate information

The consolidated financial statements of the Group, being Latin Resources Limited (**the Company or Parent**) and its subsidiaries (collectively, **the Group**), for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 31 March 2021.

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

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

### 2. Summary of significant accounting policies

#### (a) BASIS OF PREPARATION

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

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

#### (b) COMPLIANCE WITH IFRS

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

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

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

#### (d) BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

#### (e) COMPARATIVE INFORMATION

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

## NOTES TO THE FINANCIAL STATEMENTS

### (f) 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.

### (g) 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.

### (h) 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.

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

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### (j) INCOME TAX

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

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

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

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

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

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

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

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

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

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

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

### (k) 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

### **(l) 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-line basis over the life of the lease.

### **(m) BORROWING COSTS**

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

### **(n) EARNINGS PER SHARE**

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

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

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

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

### **(o) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include 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.

### **(p) FINANCIAL ASSETS**

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

### **(q) 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.

### **(r) 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:

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

### **(s) 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.

### **(t) 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.

### **(u) 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.

### **(v) FINANCIAL LIABILITIES**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

### Subsequent measurement

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

### Loans and borrowings

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

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

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

## (w) 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.

## (x) FOREIGN CURRENCY TRANSLATION

### Functional and presentation currency

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

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

### Transactions and balances

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### Group companies

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

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

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

### (y) INVESTMENT IN ASSOCIATES

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

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

### (z) 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.

## NOTES TO THE FINANCIAL STATEMENTS

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.

### (ac) DISCONTINUED OPERATION

#### Recognition and Measurement

A discontinued operation is a component of the Group that has either been disposed of, or is held for sale, and;

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the statement of profit or loss and other comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations, is analysed in Note 31.

### (ad) APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

## 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)).

## NOTES TO THE FINANCIAL STATEMENTS

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.

### ***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.

### ***IGV/VAT recoverability***

Included in the Expenditure and Evaluation assets (Note 14) is an amount that relates to VAT paid by the group that will only be recovered by Peruvian subsidiary through making future sales. A portion of this amount relates to VAT expenditure on Guadalupito Project. The Directors have confirmed that the termination of the Guadalupito project does not impact the rights of the Group to benefit from the total VAT recoverable from future sales.

### ***Tax impact on discontinued operation***

The Group has consulted with tax consultant in regards to the gain and loss arising from the discontinued operation. With that understanding, the Group has determined that there is no taxation impact from the discontinued operation.

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

| 2020   | Australia          | Peru             | Argentina        | Brazil          | Discontinued Operations | Total              |
|--|--------------------|------------------|------------------|-----------------|-------------------------|--------------------|
|  | \$                 | \$               | \$               | \$              | \$                      | \$                 |
| <b>Revenue</b>                               |                    |                  |                  |                 |                         |                    |
| Interest revenue                             | 360                | -                | -                | -               | -                       | 360                |
| Other income                                 | 141,698            | 35,710           | -                | -               | -                       | 177,408            |
| <b>Total revenue</b>                         | <b>142,058</b>     | <b>35,710</b>    | <b>-</b>         | <b>-</b>        | <b>-</b>                | <b>177,768</b>     |
| <b>Results</b>                               |                    |                  |                  |                 |                         |                    |
| Depreciation & amortisation expense          | (6,082)            | (10,524)         | -                | -               | -                       | (16,606)           |
| Share based payments                         | (25,337)           | -                | -                | -               | -                       | (25,337)           |
| Interest expense                             | (399,153)          | 811              | -                | -               | -                       | (398,342)          |
| Borrowing cost                               | (331)              | -                | -                | -               | -                       | (331)              |
| Net foreign exchange gain/(loss)             | (7)                | (878)            | -                | -               | -                       | (885)              |
| Other expenses                               | (672,422)          | (213,129)        | (64,963)         | -               | -                       | (950,514)          |
| Share of Associate Company loss              | 42,413             | -                | -                | -               | -                       | 42,413             |
| Exploration and evaluation expenses          | -                  | -                | -                | -               | (4,299,991)             | (4,299,991)        |
| Gain on extinguishment of liability          | -                  | -                | -                | -               | 10,754,313              | 10,754,313         |
| Unwinding of interest                        | -                  | -                | -                | -               | (1,731,242)             | (1,731,242)        |
| <b>Total expenses</b>                        | <b>(1,060,919)</b> | <b>(223,720)</b> | <b>(64,963)</b>  | <b>-</b>        | <b>4,723,080</b>        | <b>3,373,478</b>   |
| <b>Segment profit/(loss)</b>                 | <b>(918,861)</b>   | <b>(188,010)</b> | <b>(64,963)</b>  | <b>-</b>        | <b>4,723,080</b>        | <b>3,551,246</b>   |
| <b>Segment assets</b>                        | <b>6,717,555</b>   | <b>2,319,016</b> | <b>3,817,784</b> | <b>476,562</b>  | <b>-</b>                | <b>13,330,917</b>  |
| <b>Segment liabilities</b>                   | <b>(1,391,455)</b> | <b>(784,290)</b> | <b>(97,268)</b>  | <b>(27,540)</b> | <b>-</b>                | <b>(2,300,553)</b> |
| <b>Additions to non-current assets</b>       |                    |                  |                  |                 |                         |                    |
| Plant & equipment                            | 4,806              | -                | -                | -               | -                       | 4,806              |
| Exploration & evaluation assets              | 373,449            | 1,485,505        | 57,567           | 7,300           | -                       | 1,923,821          |
| Deposit for acquisition of Burdett project   | 376,000            | -                | -                | -               | -                       | 376,000            |
| <b>Total additions to non-current assets</b> | <b>754,255</b>     | <b>1,485,505</b> | <b>57,567</b>    | <b>7,300</b>    | <b>-</b>                | <b>2,304,627</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

| 2019   | Australia<br>\$    | Peru<br>\$         | Argentina<br>\$    | Brazil<br>\$    | Discontinued<br>Operations<br>\$ | Total<br>\$         |
|--|--------------------|--------------------|--------------------|-----------------|----------------------------------|---------------------|
| <b>Revenue</b>                               |                    |                    |                    |                 |                                  |                     |
| Interest revenue                             | 905                | -                  | -                  | -               | -                                | 905                 |
| Other income                                 | -                  | 123,659            | -                  | -               | -                                | 123,659             |
| <b>Total revenue</b>                         | <b>905</b>         | <b>123,659</b>     | <b>-</b>           | <b>-</b>        | <b>-</b>                         | <b>124,564</b>      |
| <b>Results</b>                               |                    |                    |                    |                 |                                  |                     |
| Depreciation & amortisation expense          | (7,503)            | (11,620)           | -                  | -               | -                                | (19,123)            |
| Share based payments                         | (32,912)           | -                  | -                  | -               | -                                | (32,912)            |
| Interest expense                             | (409,106)          | -                  | -                  | -               | -                                | (409,106)           |
| Loss on sale of exploration project          | (1,136,967)        | -                  | -                  | -               | -                                | (1,136,967)         |
| Net foreign exchange gain(loss)              | (6,138)            | (3,176)            | (1,233,826)        | -               | -                                | (1,243,140)         |
| Other expenses                               | (1,203,963)        | (201,197)          | (20,608)           | -               | -                                | (1,425,768)         |
| Share of Associate Company loss              | (215,069)          | -                  | -                  | -               | -                                | (215,069)           |
| Unwinding of interest                        | -                  | -                  | -                  | -               | (1,181,633)                      | (1,181,633)         |
| <b>Total expenses</b>                        | <b>(3,011,658)</b> | <b>(215,993)</b>   | <b>(1,254,434)</b> | <b>-</b>        | <b>(1,181,633)</b>               | <b>(5,663,718)</b>  |
| <b>Segment loss</b>                          | <b>(3,010,753)</b> | <b>(92,334)</b>    | <b>(1,254,434)</b> | <b>-</b>        | <b>(1,181,633)</b>               | <b>(5,539,154)</b>  |
| <b>Segment assets</b>                        | <b>639,398</b>     | <b>3,112,298</b>   | <b>3,864,522</b>   | <b>478,563</b>  | <b>4,622,025</b>                 | <b>12,716,806</b>   |
| <b>Segment liabilities</b>                   | <b>(3,176,552)</b> | <b>(1,021,673)</b> | <b>(31,309)</b>    | <b>(40,985)</b> | <b>(9,183,111)</b>               | <b>(13,453,630)</b> |
| <b>Additions to non-current assets</b>       |                    |                    |                    |                 |                                  |                     |
| Plant & equipment                            | -                  | -                  | -                  | -               | -                                | -                   |
| Exploration & evaluation assets              | 198,943            | 119,827            | (82,630)           | 450,207         | 46,036                           | 732,383             |
| <b>Total additions to non-current assets</b> | <b>198,943</b>     | <b>163,175</b>     | <b>(82,630)</b>    | <b>450,207</b>  | <b>46,036</b>                    | <b>732,383</b>      |

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

### 5. OTHER INCOME AND LOSSES

|                     | 2020<br>\$     | 2019<br>\$         |
|---------------------|----------------|--------------------|
| Sundry income       | 112,413        | 123,659            |
| Administration Fees | 64,994         | -                  |
| Other               | (885)          | (1,243,140)        |
|                     | <b>176,522</b> | <b>(1,119,481)</b> |

### 6. EXPENSES

#### (a) Employee benefits expense

|   |                  |                  |
|---|------------------|------------------|
| Employee benefits and Director Fees           | (545,726)        | (622,997)        |
| Employee Share based payments (refer note 22) | (169,162)        | (32,912)         |
|   | <b>(714,888)</b> | <b>(655,909)</b> |

<sup>1</sup> Out of Employee share based payments of \$169,162 (2019: \$82,279), the full amount (2019: \$32,912) was expensed during the year with the nil balance (2019: \$49,367) being capitalised.

## NOTES TO THE FINANCIAL STATEMENTS

### (b) Finance expenses

|                       |                  |                  |
|-----------------------|------------------|------------------|
| Bank fees and charges | (3,755)          | (4,397)          |
| Interest expense      | (398,342)        | (409,106)        |
| Other finance charges | (332)            | (167,978)        |
|                       | <b>(402,429)</b> | <b>(581,481)</b> |

### (c) Other expenses

|                                   |                    |                  |
|-----------------------------------|--------------------|------------------|
| Administration expenses           | (210,251)          | (139,807)        |
| Corporate expenses                | (612,528)          | (437,417)        |
| Occupancy expenses                | (21,232)           | (53,172)         |
| Receivable written-off            | (160,148)          | -                |
| Share based payments <sup>2</sup> | (25,337)           | -                |
|                                   | <b>(1,029,496)</b> | <b>(630,396)</b> |

<sup>2</sup> Represent the value of the LRSOC Options issued to the holder of LRSOB Options for nil consideration.

## 7. INCOME TAXES

|  | 2020<br>\$ | 2020<br>\$  |
|--|------------|-------------|
| <b>The components of income tax benefit comprise:</b>  |            |             |
| Current income tax benefit   | -          | -           |
| Deferred income tax benefit  | -          | -           |
| Income tax benefit reported in the consolidated statement of profit or loss and other comprehensive income | -          | -           |
| Income tax expense recognised in equity  | -          | -           |
| Accounting loss before tax   | 3,551,246  | (5,539,154) |
| At the statutory income tax rate of 27.5% (in Australia and Peru)  | 976,593    | (1,523,267) |
| Other non-deductible expenditure for income tax purposes   | -          | -           |
| R&D tax rebate claim   | -          | -           |
| Unrecognised tax losses  | (976,593)  | 1,523,267   |
| Income tax benefit reported in the consolidated statement comprehensive income                             | -          | -           |
| <b>Deferred tax assets</b>   |            |             |
| Carried forward revenue losses - Australia   | 3,840,197  | 3,334,414   |
| Carried forward revenue losses - Peru  | -          | -           |
| Carried forward revenue losses - Brazil  | 197,776    | 197,776     |
| Carried forward revenue losses - MD (Peru)   | (143)      | 420         |
| Carried forward revenue losses - Argentina   | 513,423    | 495,559     |
| Exploration and evaluation assets  | (226,096)  | 15,658      |
| Provisions and accruals  | 30,684     | 16,263      |
| Other  | (22,925)   | 626,669     |
| Deferred Consideration Write Back  | -          | -           |
| Gross deferred tax asset   | 4,332,916  | 4,686,759   |
| Offset against deferred tax liability  | -          | -           |
| Unrecognised tax losses  | 4,332,916  | 4,686,759   |
| <b>Deferred tax liabilities</b>  |            |             |
| Exploration and evaluation assets  | -          | -           |
| Plant and equipment  | -          | -           |
| Carried forward revenue losses - Peru  | -          | -           |
| Gross deferred tax liability   | -          | -           |
| Offset against deferred tax asset  | -          | -           |
| Net deferred tax liability   | -          | -           |

## NOTES TO THE FINANCIAL STATEMENTS

### 8. EARNINGS/(LOSS) PER SHARE

|   | 2020<br>Cents | 2019<br>Cents |
|---|---------------|---------------|
| Basic earnings/(loss) per share   | 0.6           | (3.7)         |
| Diluted earnings/(loss) per share   | 0.4           | (3.7)         |
|   | \$            | \$            |
| Loss used in calculating basic and diluted earnings/(loss) per share                              | 3,551,246     | (5,539,154)   |
|   | Number        | Number        |
| Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share*   | 622,423,444   | 151,435,353   |
| Weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share* | 957,869,218   | 151,435,353   |

\* 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 649,648,381 (2019: 144,250,001) share options and nil (2019: nil) share rights on issue which were considered dilutive only for the current period and therefore included from the weighted average number of ordinary shares used in calculating dilutive earnings per share.

### 9. CASH

|   | 2020<br>\$       | 2019<br>\$     |
|---|------------------|----------------|
| <b>(a) Cash and short term deposits</b> |                  |                |
| Cash in hand                            | 306              | 309            |
| Cash at bank                            | 4,532,951        | 732,973        |
|   | <b>4,533,257</b> | <b>733,282</b> |

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

|                            |           |             |
|----------------------------|-----------|-------------|
| Profit/(Loss) for the year | 3,551,246 | (5,539,154) |
|----------------------------|-----------|-------------|

#### *Adjustments to reconcile loss after tax to net cash flows from operating activities:*

|   |             |           |
|---|-------------|-----------|
| (Gain) on sale of investments   |             | -         |
| (Profit)/Loss on fair value of financial assets through profit and loss | (6,455)     | 1,119,481 |
| Reversal of prior year impairment                                       | (765,835)   | -         |
| Depreciation  | 16,606      | 19,123    |
| Transaction cost of borrowing   | -           | 31,200    |
| Accrued interest payable  | 353,845     | 409,106   |
| Share of (gain)/loss from associated companies                          | (42,413)    | 215,069   |
| Net (gain)/loss on disposal of discontinued operations                  | (4,723,080) | -         |
| Share based payments  | 169,162     | 165,266   |
| Net foreign exchange loss/(gain)  | (31,472)    | 876,657   |
| Unwinding of the effective interest rate                                | -           | 1,181,633 |

#### *Working capital adjustments:*

|  |                    |                  |
|--|--------------------|------------------|
| (Increase)/decrease in trade and other receivables | 396,057            | 176,561          |
| Increase/(decrease) in trade and other payables    | 6,760              | 647,075          |
| Increase/(decrease) in provisions for annual leave | 2,581              | (23,903)         |
| Net cash flows used in operating activities        | <b>(1,072,998)</b> | <b>(721,886)</b> |

#### **Non-cash financing and investing activities**

## NOTES TO THE FINANCIAL STATEMENTS

During the year, the Group issued 266,611,821 fully paid ordinary shares to settle expenses and liabilities amounting to \$1,165,583. The Group also issued 10,000,000 fully paid ordinary shares valued at \$340,000 and issued 2,000,000 LRSOC options valued at \$36,000 to acquire the Burdett project. The Yarara JV interest was also acquired by issuing 40,000,000 fully paid ordinary shares, valued at \$120,000.

### 10. TRADE AND OTHER RECEIVABLES

|                           | 2020<br>\$     | 2019<br>\$     |
|---------------------------|----------------|----------------|
| <b>Current</b>            |                |                |
| Trade receivables         | 171,859        | 302,704        |
| Other receivables         | 50,935         | 220,499        |
| Related party receivables | 12,999         | 16,372         |
| Tax credits               | 88,014         | 43,860         |
| Prepayments               | 7,912          | 8,250          |
|                           | <b>331,719</b> | <b>591,685</b> |

The Group applies simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward-looking information.

### 11. OTHER ASSETS

|   | 2020<br>\$     | 2019<br>\$    |
|---|----------------|---------------|
| <b>(a) Current Asset</b>                        |                |               |
| Security deposits and bonds                     | 43,700         | 43,700        |
|   | <b>43,700</b>  | <b>43,700</b> |
| <b>(b) Non-current Asset</b>                    |                |               |
| Acquisition of the Burdett project <sup>1</sup> | 376,000        | -             |
|   | <b>376,000</b> | -             |

<sup>1</sup> The Group acquired Burdett gold tenement which currently still in application from Syndicate Minerals Pty Ltd (ASX announcement dated 03 December 2020). The consideration for the acquisition is as follows:

- 10,000,000 fully paid ordinary shares in Latin Resources Ltd
- 2,000,000 LRSOC Options.

### 12. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

|  | 2020<br>\$     | 2019<br>\$ |
|--|----------------|------------|
| <b>Shares in listed entities</b>                               |                |            |
| Associated Company Investment – at carrying value <sup>1</sup> | 882,447        | 249,344    |
| Equity Share of Associated Company profit/(loss)               | 42,413         | (249,344)  |
|  | <b>924,860</b> | -          |
| <b>Movement:</b>   | <b>\$</b>      | <b>\$</b>  |
| Opening balance  | -              | 1,051,214  |
| Additional investment  | 116,612        | -          |
| Share of (loss)/profit from associates                         | 42,413         | (215,069)  |
| Impairment   | -              | 836,145    |
| Reversal of prior year impairment                              | 765,835        | -          |
| Closing balance  | <b>924,860</b> | -          |

<sup>1</sup> Investment in Associate arising from settlement of the sale of the Peru Ilo copper project. At balance date the Company has a 27.62% (2019:40.19%) direct shareholding in the capital of Westminster Resources Limited.

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PLANT AND EQUIPMENT

|                                    | 2020<br>\$    | 2019<br>\$    |
|------------------------------------|---------------|---------------|
| <b>Furniture and equipment</b>     |               |               |
| At cost                            | 185,962       | 197,299       |
| Less: Accumulated depreciation     | (146,615)     | (141,542)     |
|                                    | <b>39,347</b> | <b>55,757</b> |
| <b>Furniture and equipment</b>     |               |               |
| Balance at beginning of period     | <b>55,757</b> | <b>80,374</b> |
| Additions                          | 4,806         | -             |
| Disposals                          | -             | -             |
| Depreciation expense               | (16,606)      | (19,123)      |
| Effects of exchange rate movements | (4,610)       | (5,494)       |
| Balance at end of period           | <b>39,347</b> | <b>55,757</b> |

### 14. EXPLORATION AND EVALUATION ASSETS

|  | 2020<br>\$        | 2019<br>\$        |
|--|-------------------|-------------------|
| Balance at beginning of period                       | <b>11,292,382</b> | <b>8,866,009</b>  |
| Additions  | 748,495           | 890,171           |
| Acquisition of the Noombenberry project <sup>1</sup> | -                 | 181,845           |
| Acquisition of the Yarara project <sup>2</sup>       | 150,000           | -                 |
| Discontinued Operations                              | (4,299,991)       | -                 |
| Other expenses (GST/VAT movement) <sup>3</sup>       | 9,246             | 1,693,990         |
| Foreign currency translation movement                | (818,098)         | (339,633)         |
| Balance at end of period                             | <b>7,082,034</b>  | <b>11,292,382</b> |

<sup>1</sup> The Group acquired the Noombenberry Halloysite Project and Big Grey Silver-Lead Project through the acquisition of Electric Metals Pty Ltd (ASX Announcement dated 24 October 2019). The consideration for the acquisition is as follows:

- 25,000,000 fully paid ordinary shares in Latin Resources Ltd
- 6,250,000 options to subscribe for Shares, exercise price \$0.012, expiry 31 December 2022
- The Vendor will also be eligible for 16.5 million fully paid ordinary shares in Latin Resources Ltd and 4.125 million options to subscribe for Shares, exercisable at \$0.012, on or before 31 December 2022 on a successful Kaolin/Halloysite JORC inferred resource of 3 million tonnes at 30% Ceramic Alumina (Al<sub>2</sub>O<sub>3</sub>) or greater.

<sup>2</sup> The Group acquired the Yarara Project through a binding farm-in terms sheet with Mining and Energy Group Pty Ltd (MEG) to earn up to a 75% interest in gold project (ASX announcement date 25 June 2020). The consideration for the acquisition is as follows:

- \$30,000 non-refundable deposit to MEG
- 40,000,000 fully paid ordinary shares at a deemed issue price of \$0.003 per share
- Payment of \$20,000 cash and issuing \$130,000 worth of LRS shares made upon grant of drill permits for the first phase of drilling on the tenement.

<sup>3</sup> The Goods and services tax/value added tax (GST/VAT) refers to a receivable by the company's subsidiary in Peru and Argentina which can only be offset against GST/VAT attributable to future sales. The prior year balance has been reclassified from Non-Current Trade and Other Receivables.

### 15. TRADE AND OTHER PAYABLES

|                | 2020<br>\$       | 2019<br>\$       |
|----------------|------------------|------------------|
| Trade payables | 1,123,384        | 1,409,872        |
| Other payables | 154,766          | 218,562          |
| Accruals       | 78,493           | 65,000           |
|                | <b>1,356,643</b> | <b>1,693,434</b> |

Trade payables are generally 30 days term from end of month of supply.

## NOTES TO THE FINANCIAL STATEMENTS

### 16. INTEREST BEARING LOANS AND BORROWINGS

|  | 2020<br>\$     | 2019<br>\$       |
|--|----------------|------------------|
| Convertible Security Funding - Lind <sup>1</sup> | 900,000        | 2,015,755        |
| Convertible Note <sup>2</sup>                    | -              | 520,000          |
|  | <b>900,000</b> | <b>2,535,755</b> |

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

Security for the facility is provided by a general security agreement by the Company in favour of Lind and pledges over all shares in each subsidiary and the Company. A total of 144,500,000 ordinary fully paid shares (collateral shares) have been issued as to the convertible note holder prior to 1:25 share consolidation in 2019.

As part of the transaction costs, prior to 1:25 option consolidation in 2019, the company issued 110,000,000 listed options exercisable at 1 cent per share which expired on 12 October 2019, 166,666,667 unlisted options exercisable at 0.43 cents per share expiring 18 December 2022, and 200,000,000 unlisted options exercisable at 0.13 cents per share expiring 3 July 2023.

The Convertible security provides a funding limit of \$6 million and repayable in either cash or shares at the election of the Company. The Facility was originally for a period of 24 months with a maturity date of 26 June 2020, which was extended by mutual agreement to 31 December 2020. The convertible note holder has the election of requesting repayment of the original convertible note valued at \$2,000,000 by acquiring a direct 5% interest in the Argentina Projects. As at 31 December 2020, \$900,000 remains outstanding under the Facility.

Subsequent to the end of the financial period, the Company has made full repayment on 7 January 2021 and terminated the Facility.

#### <sup>2</sup> Convertible Note

The Convertible Note was fully repaid in July 2020, via conversion to fully paid ordinary shares at the lower of \$0.012 per share or 20% discount to historical 5 days VWAP prior to the date the Noteholders' sent the Conversion Notice, with a floor price of \$0.004. Upon conversion the Noteholders also received for every \$1.00 raised under the Notes, 80 free attaching options exercisable at \$0.012 on or before 31 December 2022.

### 17. DEFERRED CONSIDERATION

|                 | 2020<br>\$ | 2019<br>\$       |
|-----------------|------------|------------------|
| (a) Current     | -          | <b>22,000</b>    |
| (b) Non-current | -          | <b>9,161,111</b> |
| <b>TOTAL</b>    | <b>-</b>   | <b>9,183,111</b> |

The deferred consideration balances reflect the current and non-current portions of the present value of the remaining consideration (2019: US\$10.0 million) the Group is required to pay in cash and shares for the acquisition of the concessions relating to the Guadalupito project, which has now been relinquished and agreement terminated (Refer to Note 31: Discontinued Operations).

The deferred consideration payable was originally as follows:

#### Share issues

|                |                             |
|----------------|-----------------------------|
| - January 2019 | 4,000,000 fully paid shares |
|----------------|-----------------------------|

#### Cash Payments

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 18. PROVISIONS

|  | 2020   | 2019   |
|--|--------|--------|
|  | \$     | \$     |
| Employee benefits – Leave entitlements | 43,910 | 41,330 |

### 19. CONTRIBUTED EQUITY

|   | 2020                 | 2019              |
|---|----------------------|-------------------|
|   | \$                   | \$                |
| <b>(a) Issued capital</b>                                   |                      |                   |
| Issued shares   | 56,467,554           | 48,218,621        |
| <b>(b) Movements in issued capital</b>                      |                      |                   |
| <b>Issued shares</b>  | <b>Number</b>        | <b>\$</b>         |
| <b>Balance 1 January 2020</b>                               | <b>347,365,795</b>   | <b>48,218,621</b> |
| Entitlement Offer   | 17,029,511           | 102,177           |
| Placement   | 53,800,000           | 215,200           |
| Conversion of convertible notes (190,000)                   | 38,000,000           | 190,000           |
| Share Purchase Plan   | 125,458,494          | 627,292           |
| Conversion of convertible notes (330,000)                   | 58,928,571           | 330,000           |
| Payment for Director fees with shares                       | 45,720,750           | 182,883           |
| Convertible Security repayment                              | 114,000,000          | 342,000           |
| Repayment of creditors with shares                          | 5,712,500            | 45,700            |
| Placement – acquisition of the JV for Yarara project        | 40,000,000           | 120,000           |
| Placement   | 59,272,728           | 652,000           |
| LRSOC Option Conversion                                     | 6,504,962            | 78,060            |
| Placement – Integra   | 100,200,000          | 501,000           |
| Shares issued to employees                                  | 2,000,000            | 32,000            |
| Placement - acquisition of the Burdett project              | 10,000,000           | 340,000           |
| Placement - S3 Consortium                                   | 4,250,000            | 75,000            |
| Placement   | 166,667,000          | 5,000,010         |
| Transaction costs   | -                    | (584,389)         |
| <b>Balance 31 December 2020</b>                             | <b>1,194,910,311</b> | <b>56,467,554</b> |
| <b>Balance 1 January 2019</b>                               | <b>2,888,670,639</b> | <b>45,902,186</b> |
| Placement   | 26,980,000           | 53,835            |
| Share Purchase Plan   | 261,550,000          | 523,100           |
| Convertible Security repayment - January 2019 <sup>1</sup>  | 44,444,445           | 120,000           |
| Convertible Security repayment - February 2019 <sup>1</sup> | 60,000,000           | 120,000           |
| Convertible Security repayment - March 2019 <sup>1</sup>    | 93,088,236           | 156,000           |
| Convertible Security repayment - April 2019 <sup>1</sup>    | 102,692,308          | 156,000           |
| Convertible Security repayment - May 2019 <sup>1</sup>      | 130,000,000          | 156,000           |
| Convertible Security repayment - June 2019 <sup>1</sup>     | 173,333,334          | 156,000           |
| Collateral shares <sup>2</sup>                              | 100,000,000          | 100,000           |
| Deferred rights conversion <sup>3</sup>                     | 11,707,633           | -                 |
| Share consolidation <sup>4</sup>                            | (3,736,767,467)      | -                 |
| Placement   | 166,666,667          | 1,000,000         |
| Acquisition - Electric Metals Pty Ltd                       | 25,000,000           | 150,000           |
| Cost of Broker options issues                               | -                    | (203,809)         |
| Transaction costs   | -                    | (170,691)         |
| <b>Balance 31 December 2019</b>                             | <b>347,365,795</b>   | <b>48,218,621</b> |

<sup>1</sup> Repayment of Convertible security Funding in shares at \$120,000 per month for January – February 2019 and at \$156,000 for March – June 2019.

<sup>2</sup> Collateral shares issued as security for additional drawdown under Convertible Security Funding Agreement

## NOTES TO THE FINANCIAL STATEMENTS

<sup>3</sup> Vesting of incentive rights issued in accordance with Incentive Rights Plan approved by shareholders on 27 November 2017.

<sup>4</sup> Share consolidation on 1:25 basis.

### 20. RESERVES

#### (a) Foreign currency translation reserve

|                                | 2020<br>\$       | 2019<br>\$       |
|--------------------------------|------------------|------------------|
| Balance at beginning of year   | 5,899,762        | 5,227,684        |
| Foreign currency translations  | (491,090)        | 672,078          |
| Balance at the end of the year | <b>5,408,672</b> | <b>5,899,762</b> |

#### (b) Share based payments reserve

|   | 2020<br>\$       | 2019<br>\$       |
|---|------------------|------------------|
| Balance at the beginning of year                | 5,067,448        | 4,617,161        |
| Capital raising costs – issue of broker options | 150,000          | 203,809          |
| Loan establishment costs                        | -                | 132,354          |
| Share based payments                            | 137,162          | 82,279           |
| Replacement option                              | 25,337           | -                |
| Project acquisition                             | 36,000           | 31,845           |
| Borrowing cost                                  | 109,600          | -                |
| Balance at the end of the year                  | <b>5,525,547</b> | <b>5,067,448</b> |

#### Total reserves

**10,934,219**      **10,967,210**

#### Nature and purpose of reserves

##### Foreign currency translation reserve

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

##### Share based payments reserve

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

|   | Number<br>of<br>options | Weighted average<br>exercise price |
|---|-------------------------|------------------------------------|
| <b>Options outstanding</b><br><i>(includes share-based payment options and non-share based payment options)</i> |                         |                                    |
| <b>Balance at 1 January 2020</b>  | <b>144,250,001</b>      | <b>\$0.018</b>                     |
| Issued during the year – quoted <sup>1,2,3,4,5,6,7,8,9</sup>  | 511,903,342             | \$0.012                            |
| Issued during the year – unquoted   | -                       | -                                  |
| Options exercised   | (6,504,962)             | \$0.012                            |
| <b>Balance at 31 December 2020</b>  | <b>649,648,381</b>      | <b>\$0.012</b>                     |

#### Consisting of:

|                    |  |                    |
|--------------------|--|--------------------|
| Quoted options -   | exercisable at \$0.012 per share expiring 31 December 2022                               | <b>534,781,714</b> |
|                    | Exercisable at \$0.012 per share expiring 31 December 2022 (subject to voluntary escrow) | <b>100,200,000</b> |
| Unquoted options - | exercisable at \$0.0325 cents per share expiring 03 July 2023                            | <b>8,000,000</b>   |
|                    | exercisable at \$0.1075 per share expiring 18 December 2022                              | <b>6,666,667</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

<sup>1</sup> 8,514,744 free attaching LRSOC listed options were issued on a 1 for 2 basis in relation to the entitlement offer completed in February 2020. 25,336,626 replacement LRSOC listed options were issued as per the Prospectus dated 9 December 2019.

<sup>2</sup> 125,458,494 and 53,800,000 free attaching LROC listed options were issued on a 1 for 1 basis in relation to the placement and SPP completed in June and July 2020.

<sup>3</sup> 15,200,000 listed LRSOC options were issued on conversion of 190,000 convertible notes.

<sup>4</sup> 26,400,000 listed LRSOC options were issued on conversion of 330,000 convertible notes.

<sup>5</sup> 45,720,750 listed LRSOC options were issued to the directors as part of the settlement of their outstanding directors' fee.

<sup>6</sup> 50,000,000 listed LRSOC options issued to Hartleys for introduction and facilitation services in relation to MEG transaction.

<sup>7</sup> 59,272,728 listed LRSOC options were issued on a 1 for 1 basis in relation to the placement completed in September 2020.

<sup>8</sup> 100,200,000 listed LRSOC options were issued on a 1 for 1 basis in relation to the placement completed to Integra Capital in October 2020.

<sup>9</sup> 2,000,000 listed LRSOC options were issued as part of the acquisition of the Burdett project in December 2020.

### SHARE BASED PAYMENTS RESERVE

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

#### 21. ACCUMULATED LOSSES

|                                      | 2020                | 2019                |
|--------------------------------------|---------------------|---------------------|
|                                      | \$                  | \$                  |
| Balance at the beginning of the year | (59,922,655)        | (54,383,501)        |
| Loss after income tax                | 3,551,246           | (5,539,154)         |
| Balance at the end of the year       | <b>(56,371,409)</b> | <b>(59,922,655)</b> |

#### 22. SHARE BASED PAYMENTS

|   | 2020    | 2019   |
|---|---------|--------|
|   | \$      | \$     |
| <b>Expenses arising from share-based payment transactions to key management personnel</b> |         |        |
| Employee share benefits payments  | 153,162 | 82,279 |

Employee share-based payments benefits totalled \$153,162 (2019: \$82,279), of which the full amount (2019: \$32,912) was expensed during the year.

#### (a) Share rights

##### *Incentive rights plan*

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

### **Share rights outstanding**

There were no share rights outstanding as at 31 December 2020 (2019: nil).

### ***Shares issued as share based payments***

#### **Loan Funded shares**

At the Annual General Meeting held 28 May 2018, shareholders approved the adoption of the Latin Resources Limited Loan Funded Share Plan and also approved the issue of 100,000,000 loan funded shares to directors. The loan funded shares are issued at 1.1 cents per share. The loans are interest free and with limited recourse to the participant and are unquoted shares until the loan has been paid. The Plan requires the loan to be repaid before the participant can sell their shares. As at 31 December 2019, after the 1:25 share consolidation, the balance of the loan funded shares to directors is 4,000,000.

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

## **(b) Options**

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

#### **2020**

All listed LRSOC Options were valued at the grant date market price.

15,200,000 LRSOC Options issued to convertible note holder on conversion and were valued at \$0.002 on the grant date.<sup>3</sup>

26,400,000 LRSOC Options issued to convertible note holder on conversion and were valued at \$0.003 on the grant date.<sup>4</sup>

The Company issued free attaching 45,720,750 LRSOC Options to the Directors as part of the settlement of their outstanding directors' fees via the issue of ordinary shares.<sup>5</sup>

## NOTES TO THE FINANCIAL STATEMENTS

The Company issued 50,000,000 LRSOC Options to Euroz Hartleys for introductory and facilitation services in relation to the Yarara project JV transaction.<sup>6</sup>

The Company issued 2,000,000 LRSOC Options in relation to the acquisition of Burdett project from Syndicate Minerals Pty Ltd.<sup>7</sup>

### 2019

No options were issued to key management personnel during the year 2019.

Before the 1:25 option consolidation 200,000,000 unquoted options were issued in June 2019 to the convertible loan holder and valued using Black and Scholes valuation pricing model<sup>1</sup>.

After the 1:25 option consolidation, 46,250,000 quoted options were issued in December 2019 to the placement participants, broker and the vendor of Electric Metals Pty Ltd acquisition. The options were valued using Black and Scholes valuation pricing model<sup>2</sup>.

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.

| <b>Input variables</b>   | <b>31 Dec 2019<sup>1</sup></b> | <b>31 Dec 2019<sup>2</sup></b> | <b>31 Dec 2020<sup>3</sup></b> |
|--------------------------|--------------------------------|--------------------------------|--------------------------------|
| Grant date share price   | \$0.009                        | \$0.0015                       | \$0.005                        |
| Exercise price           | \$0.012                        | \$0.0013                       | \$0.012                        |
| Expected volatility      | 100%                           | 50%                            | -%                             |
| Risk-free interest rate  | 0.71%                          | 1.14%                          | -%                             |
| Option life              | 3 Years                        | 4 Years                        | 2.5 Years                      |
| Grant date               | 11 Dec 2019                    | 3 July 2019                    | 02 Jul 2020                    |
| Expiry date              | 31 Dec 2022                    | 3 July 2023                    | 31 Dec 2022                    |
| Fair value at grant date | \$0.005095                     | \$0.000662                     | \$0.002                        |

| <b>Input variables</b>   | <b>31 Dec 2020<sup>4</sup></b> | <b>31 Dec 2020<sup>5</sup></b> | <b>31 Dec 2020<sup>6</sup></b> |
|--------------------------|--------------------------------|--------------------------------|--------------------------------|
| Grant date share price   | \$0.0056                       | \$0.004                        | \$0.004                        |
| Exercise price           | \$0.012                        | \$0.012                        | \$0.012                        |
| Expected volatility      | -%                             | -%                             | -%                             |
| Risk-free interest rate  | -%                             | -%                             | -%                             |
| Option life              | 2.5 Years                      | 2.4 Years                      | 2.4 Years                      |
| Grant date               | 16 Jul 2020                    | 13 Aug 2020                    | 13 Aug 2020                    |
| Expiry date              | 31 Dec 2022                    | 31 Dec 2022                    | 31 Dec 2022                    |
| Fair value at grant date | \$0.003                        | \$0.003                        | \$0.003                        |

| <b>Input variables</b>   | <b>31 Dec 2020<sup>7</sup></b> |
|--------------------------|--------------------------------|
| Grant date share price   | \$0.018                        |
| Exercise price           | \$0.012                        |
| Expected volatility      | -%                             |
| Risk-free interest rate  | -%                             |
| Option life              | 2 Years                        |
| Grant date               | 21 Dec 2020                    |
| Expiry date              | 31 Dec 2022                    |
| Fair value at grant date | \$0.018                        |

## NOTES TO THE FINANCIAL STATEMENTS

### 23. RELATED PARTY DISCLOSURES

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

|   | 2020<br>\$     | 2019<br>\$     |
|---|----------------|----------------|
| <b>(a) Compensation of directors and other key management personnel</b> |                |                |
| Short term employee benefits  | 527,684        | 620,944        |
| Post-employment benefits  | 10,882         | 4,545          |
| Share based payments  | 137,162        | 82,279         |
|   | <b>675,728</b> | <b>707,768</b> |

#### (b) Transactions with related parties

Bowen Buchbinder Vilenksy, a legal firm associated with Mr Vilenksy, charged fees totalling \$16,600 excluding GST for the year ended 31 December 2020 in relation to legal fees.

Oar Resource Limited, a listed company with Mr Gale and Mr Vilenksy as Directors, was invoiced \$86,837 excluding GST for the shared administration services provided by Latin Resources' facilities and staff during the year ended 31 December 2020.

#### (c) Subsidiaries

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

| Name of entity                      | Country of incorporation | Equity holding |           |
|-------------------------------------|--------------------------|----------------|-----------|
|                                     |                          | 2020<br>%      | 2019<br>% |
| Peruvian Latin Resources SAC (PLR)  | Peru                     | 100            | 100       |
| Minera Dylan SAC (MD)               | Peru                     | 100            | 100       |
| Mineracao Ferro Nordeste Ltda (MFN) | Brazil                   | 100            | 100       |
| Recursos Latinos S.A.               | Argentina                | 100            | 100       |
| Electric Metals Pty Ltd             | Australia                | 100            | -         |
| <b>Associated Company</b>           |                          |                |           |
| Westminster Resources Limited       | Canada                   | 27.62          | 40.19     |

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

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

#### (d) Ultimate parent company

Latin Resources Limited is the ultimate parent of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### 24. COMMITMENTS

|   | 2020<br>\$     | 2019<br>\$ |
|---|----------------|------------|
| <b>Exploration Commitments:</b>                   |                |            |
| Not later than one year                           | 264,000        | -          |
| Later than one year but not later than five years | 642,000        | -          |
| Later than five years                             | -              | -          |
|   | <b>906,000</b> | <b>-</b>   |

### 25. CONTINGENCIES

Noombenberry Halloysite Project and Big Grey Silver-Lead Project – Contingent Consideration Obligation

The Acquisition Agreement require the Group to pay the Vendor 16.5 million fully paid ordinary shares in Latin Resources Ltd and 4.125 million options to subscribe for Shares, exercisable at \$0.012, on or before 31 December 2022 on a successful Kaolin/Halloysite JORC inferred resource of 3 million tonnes at 30% Ceramic Alumina (Al<sub>2</sub>O<sub>3</sub>) or greater.

### 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

As at 31 December 2020, the Group had the following exposure to USD that is not designated in cash flow hedges:

|                                     | 2020<br>\$         | 2019<br>\$          |
|-------------------------------------|--------------------|---------------------|
| <b>Financial assets</b>             |                    |                     |
| Cash and cash equivalents           | 33,084             | 32,221              |
| Trade and other receivables         | 1,828,421          | 2,174,585           |
| Other financial assets              | -                  | -                   |
|                                     | <b>1,861,505</b>   | <b>2,206,806</b>    |
| <b>Financial liabilities</b>        |                    |                     |
| Trade and other payables            | (1,163,739)        | (1,047,437)         |
| Provisions                          | (7,618)            | (34,902)            |
| Deferred consideration <sup>1</sup> | -                  | (9,183,111)         |
|                                     | <b>(1,171,357)</b> | <b>(10,265,450)</b> |
| <b>Net exposure</b>                 | <b>690,148</b>     | <b>(8,058,644)</b>  |

<sup>1</sup> As at 31 December 2020, the Group has no obligation to pay US\$10.0 million (2019: US\$10.0 million) in various instalments by 1 January 2024. The liability was previously 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 2020.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

|                         | Effect on loss<br>before tax<br>\$ | Effect on equity<br>\$ |
|-------------------------|------------------------------------|------------------------|
| <b>31 December 2020</b> |                                    |                        |
| AUD/USD +10%            | 69,015                             | 69,015                 |
| AUD/USD -10%            | (69,015)                           | (69,015)               |
| <b>31 December 2019</b> |                                    |                        |
| AUD/USD +10%            | 112,447                            | 112,447                |
| AUD/USD -10%            | (112,447)                          | (112,447)              |

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

Apart from the above exposure to AUD/USD exchange rate, the Group also has an investment in listed securities listed on the TSXV and denominated in Canadian dollars (CAD). At 31 December 2020 this investment was valued at \$1,227,110 prior to applying its share of loss from the TSXV listed company. A 10% movement in the AUD /CAD would result in the investment carrying value increasing/decreasing by \$122,711.

### (a) Interest rate risk

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

The Board constantly monitors its interest rate exposure and attempts to maximise interest income by using a mixture of fixed and variable interest rates, whilst ensuring sufficient funds are available for the Group's operating activities. As at 31 December 2020 the Group had the following exposure to Australian variable interest rate risk.

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

|                              | 2020<br>\$ | 2019<br>\$ |
|------------------------------|------------|------------|
| <b>Financial assets</b>      |            |            |
| Cash and cash equivalents    | 4,499,867  | 700,760    |
| Convertible Security Funding | 900,000    | 2,535,755  |

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

### (b) Credit risk

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

| <b>31 December 2020</b>      | <b>Less than<br/>1 month</b> | <b>1-3<br/>months</b> | <b>3-12<br/>months</b> | <b>1-5<br/>years</b> | <b>5+<br/>years</b> | <b>Total</b>     |
|------------------------------|------------------------------|-----------------------|------------------------|----------------------|---------------------|------------------|
|                              | <b>\$</b>                    | <b>\$</b>             | <b>\$</b>              | <b>\$</b>            | <b>\$</b>           | <b>\$</b>        |
| Trade and other payables     | 1,356,643                    | -                     | -                      | -                    | -                   | 1,356,643        |
| Interest bearing liabilities | 900,000                      | -                     | -                      | -                    | -                   | 900,000          |
| Deferred consideration       | -                            | -                     | -                      | -                    | -                   | -                |
|                              | <b>2,256,643</b>             | <b>-</b>              | <b>-</b>               | <b>-</b>             | <b>-</b>            | <b>2,256,643</b> |

| <b>31 December 2019</b>      | <b>Less than<br/>1 month</b> | <b>1-3<br/>months</b> | <b>3-12<br/>months</b> | <b>1-5<br/>years</b> | <b>5+<br/>years</b> | <b>Total</b>      |
|------------------------------|------------------------------|-----------------------|------------------------|----------------------|---------------------|-------------------|
|                              | <b>\$</b>                    | <b>\$</b>             | <b>\$</b>              | <b>\$</b>            | <b>\$</b>           | <b>\$</b>         |
| Trade and other payables     | 1,693,434                    | -                     | -                      | -                    | -                   | 1,693,434         |
| Interest bearing liabilities | 468,000                      | 513,000               | 1,554,755              | -                    | -                   | 2,535,755         |
| Deferred consideration       | -                            | 356,837               | 1,070,511              | 12,846,132           | -                   | 14,273,480        |
|                              | <b>2,161,434</b>             | <b>869,837</b>        | <b>2,625,266</b>       | <b>12,846,132</b>    | <b>-</b>            | <b>18,502,669</b> |

### (c) Price risk

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

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

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

### (d) Capital management

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

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

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

As at 31 December 2020 the Group is not subject to any external capital requirements.

## 27. EVENTS AFTER THE REPORTING PERIOD

On 01 February 2021, the Company announced that it has concluded the Convertible security funding agreement with Lind Partners New York by paying the outstanding balance \$ 900,000 on 7 January 2021 and issuing 20,000,000 unlisted options exercisable at \$0.03 on or before 01 December 2022 on 29 January 2021.

On 2 March 2021, Directors David Vilensky and Chris Gale have between them exercised a combined total of 16,826,848 LRSOC Options to acquire 16,826,848 fully paid ordinary shares for a total consideration of \$201,922.

## NOTES TO THE FINANCIAL STATEMENTS

### 28. AUDITOR'S REMUNERATION

|  | 2020<br>\$    | 2019<br>\$    |
|--|---------------|---------------|
| <b>Amounts received or due and receivable by the auditor for:</b>                          |               |               |
| An audit or review of the financial report of the consolidated group                       | 37,150        | 49,580        |
| Underprovision for prior year audit  | -             | 8,066         |
| <b>Amounts received or due and receivable by related practices of the auditor for:</b>     |               |               |
| An audit or review of the financial report of the consolidated group                       | -             | -             |
| Other services in relation to the consolidated group                                       | -             | -             |
|  | 37,150        | 57,646        |
| <b>Amounts received or due and receivable by non-related practices of the auditor for:</b> |               |               |
| An audit or review of the financial report of the consolidated group                       | -             | -             |
|  | <b>37,150</b> | <b>57,646</b> |

### 29. PARENT ENTITY INFORMATION

|  | 2020<br>\$         | 2019<br>\$         |
|--|--------------------|--------------------|
| <b>(a) Financial position</b>                          |                    |                    |
| <b>Assets</b>  |                    |                    |
| Current assets   | 4,620,815          | 855,852            |
| Non-current assets                                     | 7,747,160          | 7,695,177          |
| <b>Total assets</b>                                    | <b>12,367,975</b>  | <b>8,551,029</b>   |
| <b>Liabilities</b>                                     |                    |                    |
| Current liabilities                                    | 1,337,611          | 3,188,180          |
| Non-current liabilities                                | -                  | -                  |
|  | <b>1,337,611</b>   | <b>3,188,180</b>   |
| <b>Net assets</b>                                      | <b>11,030,364</b>  | <b>5,362,849</b>   |
| <b>Equity</b>  |                    |                    |
| Contributed equity                                     | 56,347,554         | 48,218,621         |
| Reserves   | 5,519,092          | 5,067,448          |
| Accumulated losses                                     | (50,836,282)       | (47,923,220)       |
|  | <b>11,030,364</b>  | <b>5,362,849</b>   |
| <b>(b) Financial performance</b>                       |                    |                    |
| (Loss)/Profit of the parent entity                     | <b>(2,199,464)</b> | <b>(4,654,564)</b> |
| Total comprehensive profit/(loss) of the parent entity | <b>(2,199,464)</b> | <b>(4,654,564)</b> |

#### Exploration Commitments:

|   |                |   |
|---|----------------|---|
| Not later than one year                           | 264,000        | - |
| Later than one year but not later than five years | 642,000        | - |
|   | <b>906,000</b> | - |

### 30. IMPACT OF COVID-19

As previously disclosed, the Group has exploration projects in Latin America (Peru, Argentina and Brazil). The region has been badly affected by COVID-19. The Group's offices in Latin America are now closed and staff are working from home. Despite this, the Group assessment has determined that there has been no significant impact on the performance or financial position of the Group as at 31 December 2020, other than as disclosed in Note 31: Discontinued Operations

## NOTES TO THE FINANCIAL STATEMENTS

### 31. DISCONTINUED OPERATIONS

In 2011, the Group entered into an agreement to acquire the Guadalupito Project in Peru for US\$20,035,000 to be paid in instalment over 10 years. The acquisition was completed when it was ratified by shareholders on 11 August 2011. The transaction has been recorded in the accounts based on the present value of the instalments.

In 2015, the Group signed a letter agreement with the Vendor of the Guadalupito Project where the purchase price is reduced by US\$7.219 million leaving a remaining payable amount of US\$10 million. A new payment schedule has also been agreed with the pending amount to be paid in 5 annual instalments beginning 6 months after the release to the market of a favourable Definitive Feasibility Study (DFS) that the Company has a maximum of four years to achieve (no later than July 2019). In addition, 2 million ordinary shares to be issued to the Vendor on January 2016, 2017, 2018 and 2019 (Refer to Note 17: Deferred Consideration).

Subsequent to 30 June 2020, Latin's wholly owned subsidiary Peruvian Latin Resources S.A.C ("PLR") lawfully terminated the Contract of Transference of Mining Rights ("Contract") relating to the Guadalupito Project. As a result of the termination of the Contract ownership of the Mining Rights have reverted back to the Vendors and PLR was released from any obligation to pay to the vendors any unpaid portion of the purchase price for the Mining Rights. There was no material cash flow attributable to the discontinued operations with the gain of \$4,723,080 being comprised of the net from the written off exploration and evaluation assets and the extinguishment of deferred consideration liability that does not involved any cash movement.

| <b>Assets and liabilities of discontinued operations</b>        | <b>2020</b>  | <b>2019</b> |
|---|--------------|-------------|
|   | <b>\$</b>    | <b>\$</b>   |
| Assets  |              |             |
| Exploration and Evaluation assets                               | 4,299,991    | 4,622,025   |
| Liabilities   |              |             |
| Deferred Consideration liabilities                              | (10,754,313) | (9,183,111) |
| Net Assets  | (6,454,322)  | (4,561,086) |
| <b>Results of discontinued operations</b>                       |              |             |
| Unwinding of the effective interest rate <sup>1</sup>           | (1,731,242)  | (1,181,633) |
| Results from operating activities                               | (1,731,242)  | (1,181,633) |
| Net Liability disposed  | 6,454,322    | -           |
| Results from operating activities after tax                     | 4,723,080    | (1,181,633) |
|   | 4,723,080    | (1,181,633) |
| <b>Other comprehensive income from discontinued operations</b>  |              |             |
| Exchange gain/loss from discontinued operations                 | -            | -           |
|   | -            | -           |
| <b>Cash flows gained from/(used in) discontinued operations</b> |              |             |
| Net cash gained from operating activities                       | -            | -           |
| Net cash flow for the year                                      | -            | -           |

<sup>1</sup> Unwinding of the effective interest rate refers to the discounting of the remaining cost of the concessions relating to the Guadalupito project.


## 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 2020 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 2020 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 executive director and chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 31 December 2020.

On behalf of the Directors



**David Vilensky**  
**Chairman**

Signed on 31 March 2020

## AUDITORS' INDEPENDENCE DECLARATION



### AUDITOR'S INDEPENDENCE DECLARATION 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 partner of Latin Resources Limited for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'Hall Chadwick'.

Hall Chadwick Audit (WA) Pty Ltd  
ABN 42 163 529 682

A handwritten signature in blue ink, appearing to read 'Michael Hillgrove'.

Michael Hillgrove  
Director

Dated 31 March 2021

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

### Report on the Financial Report

#### Opinion

We have audited the accompanying financial report of Latin Resources Limited ( "the Company") and its subsidiaries (collectively "the Group"), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of Latin Resources Limited 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 2020 and of its performance for the year ended on that date; 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

#### Independence

We are independent of the Group in accordance with 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.

### Key Audit Matters

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 year. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

#### 1. Carrying value of capitalised exploration and evaluation assets – Note 14

##### Why significant

We identified the capitalised exploration and evaluation assets of \$7,082,034 as at 31 December 2020 to be a key audit matter due to its significance and the level of judgement required by us in evaluating management's application of the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset.

- In addition, the assessment of impairment of capitalised exploration and evaluation assets can be inherently difficult particularly in uncertain or depressed market conditions

##### How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the Group holds an interest in, the budgeted and future exploration programmes planned for the areas, made inquiries of management, reviewed the Group's ASX announcements and the Directors' minutes as to the Group's future plans for the areas.
- For the area of interest, we assessed the Group's rights to tenure by corroborating to government registries/correspondences and evaluating agreements in place with other parties; and
- We tested the additions to capitalised expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the requirements of the Group's accounting policy and requirements of AASB 6.
- Evaluating the competence, capabilities and objectivity of management's experts in the evaluation of impairment triggers and considered the Director's assessment of potential indicators of impairment.
- Assessing that disclosures relating to the capitalised exploration and evaluation assets are in accordance with Australian Accounting Standards

## 2. Gain/(Loss) from discontinued operation – Note 30

### Why significant

We identified the Gain/(Loss) from discontinued operation \$4,723,080, 2019: (\$1,181,633) to be a key audit matter due to its significance and the level of judgement required by us in evaluating management's application of the requirements of AASB 5 Non-current Assets Held for Sale and Discontinued Operations

### How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Gaining an understanding of the original accounting entries and reviewing the initial accounting methodology and process.
- Reviewing the accounting entries from the original acquisition to December 31 2020 to ensure the treatment followed complied with the adopted methodology and relevant accounting standards.
- Obtained copies of the relevant agreements and ensured that the adopted accounting treatment complied with the terms of the agreements.
- Reviewed the independent legal advice obtained by the Board to ensure the adopted treatment was in accordance and complied with the agreements.
- Reviewed Board Minutes and ASX Announcements
- Assessing the disclosures relating to the Gain/(Loss) from discontinued operations in accordance with Australian Accounting Standards.

### Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report. The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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. We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

### Directors' Responsibilities 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 Note 2(b), the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

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

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

Our responsibility is to express an opinion on the financial report based on our audit. 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in 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 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 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 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

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Latin Resources Limited for the year ended 31 December 2020, 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.



Hall Chadwick Audit (WA) Pty Ltd  
ABN 42 163 529 682



Michael Hillgrove  
Director

Dated 31 March 2021

## 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 25 March 2021.

### Class of equity securities and voting rights

#### SHARES

There were 1,322,691,080 ordinary fully paid shares on issue. All issued ordinary shares carry one vote per share.

There were also 4,000,000 unquoted ordinary loan funded shares on issue.

#### SHARE RIGHTS

There were 22,019,104 share rights on issue.

#### OPTION

The Company has the following classes of options on issue as at 25 March 2021 as detailed below. Options do not carry any rights to vote.

| Code  | Class    | Terms   | Number      |
|-------|----------|---|-------------|
| LRSOC | Listed   | Exercisable at \$0.012 each and expiring on 31 December 2022  | 526,863,683 |
|       | Unlisted | Exercisable at \$0.1075 each and expiring on 18 December 2022 | 6,666,667   |
|       | Unlisted | Exercisable at \$0.0325 each and expiring on 3 July 2023      | 8,000,000   |
|       | Unlisted | Exercisable at \$0.03 each and expiring on 1 December 2022    | 20,000,000  |
|       | Unlisted | Exercisable at \$0.03 each and expiring on 12 February 2024   | 25,000,000  |

#### 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<br>(listed) | Share rights<br>(unlisted) | Loan funded<br>shares<br>(unquoted) | Options<br>(listed) | Options<br>(unlisted) |
|------------------|-----------------------------|----------------------------|-------------------------------------|---------------------|-----------------------|
| 1 – 1,000        | 364                         | -                          | -                                   | 22                  | -                     |
| 1,001 – 5,000    | 933                         | -                          | -                                   | 30                  | -                     |
| 5,001 – 10,000   | 1,582                       | -                          | -                                   | 27                  | -                     |
| 10,001 – 100,000 | 5,041                       | -                          | -                                   | 313                 | -                     |
| 100,001 and over | 1,720                       | 3                          | 3                                   | 472                 | 2                     |
| <b>Total</b>     | <b>9,640</b>                | <b>3</b>                   | <b>3</b>                            | <b>864</b>          | <b>2</b>              |

#### HOLDING LESS THAN A MARKETABLE PARCEL

|       |   |   |     |   |
|-------|---|---|-----|---|
| 2,973 | - | - | 105 | - |
|-------|---|---|-----|---|

#### RESTRICTED SECURITIES

105,200,000 fully paid ordinary shares are subject to voluntary escrow. Other than this, 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:

## ASX ADDITIONAL INFORMATION

| <i>Shareholder</i>   | <i>No. of Shares Held</i> | <i>% Held</i> |
|----------------------|---------------------------|---------------|
| MR JOSE LUIS MANZANO | 100,200,000               | 7.58          |

### Twenty largest holders of quoted shares

| <i>Rank</i>  | <i>Shareholder</i>   | <i>No. of Shares<br/>Held</i> | <i>% Held</i> |
|--------------|--|-------------------------------|---------------|
| 1.           | MR JOSE LUIS MANZANO   | 100,200,000                   | 7.58          |
| 2.           | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED                          | 90,843,980                    | 6.87          |
| 3.           | CITICORP NOMINEES PTY LIMITED                                      | 42,446,434                    | 3.21          |
| 4.           | CHRIS GALE + STEPHANIE GALE <THE GALE SUPER FUND A/C>              | 21,398,527                    | 1.62          |
| 5.           | UNRANDOM PTY LTD <UNRANDOM A/C>                                    | 18,861,376                    | 1.43          |
| 6.           | COILENS CORPORATIONS PTY LTD                                       | 15,848,259                    | 1.20          |
| 7.           | MR WILLIAM SCOTT ALDERS  | 14,107,558                    | 1.07          |
| 8.           | TWO TOPS PTY LTD   | 13,000,000                    | 0.98          |
| 9.           | ZENIX NOMINEES PTY LTD   | 8,500,000                     | 0.64          |
| 10.          | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>         | 8,278,796                     | 0.63          |
| 11.          | AQUILINE NOMINEES PTY LTD <THE AQUILINE FAMILY A/C>                | 7,600,000                     | 0.57          |
| 12.          | MOONAH CAPITAL PTY LTD   | 7,509,814                     | 0.57          |
| 13.          | COMMSEC NOMINEES PTY LTD   | 7,286,762                     | 0.55          |
| 14.          | MR PATRICK PANCUR  | 6,509,434                     | 0.49          |
| 15.          | MR VINCENZO BRIZZI + MRS RITA LUCIA BRIZZI <BRIZZI FAMILY S/F A/C> | 6,270,556                     | 0.47          |
| 16.          | MR PAUL NAGLE  | 6,000,000                     | 0.45          |
| 17.          | MR DENNIS GRAHAM HULSE   | 5,000,000                     | 0.38          |
| 18.          | MR ANTHONY POLONI  | 5,000,000                     | 0.38          |
| 19.          | SYNDICATE MINERALS PTY LTD   | 5,000,000                     | 0.38          |
| 20.          | TANGO88 PTY LTD <TANGO88 A/C>                                      | 5,000,000                     | 0.38          |
| <b>Total</b> |  | <b>394,661,496</b>            | <b>29.84</b>  |

### Twenty largest holders of quoted options

| <i>Rank</i>  | <i>Shareholder</i>  | <i>No. of Options<br/>Held</i> | <i>% Held</i> |
|--------------|---|--------------------------------|---------------|
| 1.           | MR JOSE LUIS MANZANO  | 100,200,000                    | 19.02         |
| 2.           | UNRANDOM PTY LTD <UNRANDOM A/C>   | 20,833,250                     | 3.95          |
| 3.           | MR RITCHIE JAY CAMPBELL   | 9,512,315                      | 1.81          |
| 4.           | MRS JIEYA ZHU   | 8,500,000                      | 1.61          |
| 5.           | MR PAUL NAGLE   | 8,000,000                      | 1.52          |
| 6.           | AHM NSW PTY LTD   | 7,985,034                      | 1.52          |
| 7.           | CITICORP NOMINEES PTY LIMITED   | 7,887,934                      | 1.50          |
| 8.           | MR DRAGOSLAV JEVTIC + MRS NICOLE JEVTIC                                       | 6,700,000                      | 1.27          |
| 9.           | JSML PTY LTD  | 6,000,000                      | 1.14          |
| 10.          | MR BENJAMIN LUONG HUYNH   | 5,635,435                      | 1.07          |
| 11.          | SHANE FERNANDO HOLDINGS PTY LTD   | 5,548,214                      | 1.05          |
| 12.          | MR DAVID WAYNE AUSTIN + MRS CHRISTINA YIT LING AUSTIN <AUSTIN SUPER FUND A/C> | 5,500,000                      | 1.04          |
| 13.          | MR PHILIP UMBERTO RE  | 5,350,000                      | 1.02          |
| 14.          | GOVINDA FREEDOM FUND PTY LTD <SUPER GOVINDA A/C>                              | 5,000,000                      | 0.95          |
| 15.          | EQUITY TRUSTEES SUPERANNUATION LIMITED <AMG - WILLIAM GOODAIR A/C>            | 4,806,348                      | 0.91          |
| 16.          | LIND GLOBAL MACRO FUND LP   | 4,545,455                      | 0.86          |
| 17.          | MR STEPHEN SHERRIN  | 4,500,000                      | 0.85          |
| 18.          | MR GARETH JOHN EDWARDS  | 4,450,000                      | 0.84          |
| 19.          | QUIETEK INTERNATIONAL PTY LTD   | 4,200,000                      | 0.80          |
| 20.          | MR NING HAN + DR MIN RU QIU <HQSUPER FUND A/C>                                | 4,147,000                      | 0.79          |
| <b>Total</b> |   | <b>229,300,985</b>             | <b>43.52</b>  |

## TENEMENT SCHEDULE

### PERU

|                                 |             |      |        |            |
|---------------------------------|-------------|------|--------|------------|
| LATIN ILO ESTE I <sup>1</sup>   | 01-05005-08 | Peru | 27.62% | Concession |
| LATIN ILO ESTE II <sup>1</sup>  | 01-05003-08 | Peru | 27.62% | Concession |
| LATIN ILO ESTE III <sup>1</sup> | 01-05001-08 | Peru | 27.62% | Concession |
| LATIN ILO ESTE IX <sup>1</sup>  | 01-01952-14 | Peru | 27.62% | Concession |
| LATIN ILO NORTE 3 <sup>1</sup>  | 01-00830-09 | Peru | 27.62% | Concession |
| LATIN ILO NORTE 4 <sup>1</sup>  | 01-00831-09 | Peru | 27.62% | Concession |
| LATIN ILO NORTE 6 <sup>1</sup>  | 01-02511-09 | Peru | 27.62% | Concession |
| BRIDGETTE 1 <sup>1</sup>        | 01-01844-11 | Peru | 27.62% | Concession |
| ESSENDON 26 <sup>1</sup>        | 01-01849-11 | Peru | 27.62% | Concession |
| LATIN ILO NORTE 7 <sup>1</sup>  | 01-02512-09 | Peru | 27.62% | Concession |
| LATIN ILO NORTE 8 <sup>1</sup>  | 01-02513-09 | Peru | 27.62% | Concession |
| MADDISON 1 <sup>1</sup>         | 01-01845-11 | Peru | 27.62% | Concession |
| KELLY 00 <sup>1</sup>           | 01-01840-11 | Peru | 27.62% | Concession |
| 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 |
| FREMANTLE 7                     | 01-02068-10 | 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 |

### BRAZIL

|                      |             |        |      |            |
|----------------------|-------------|--------|------|------------|
| MINAS GERAIS LITHIUM | 830578/2019 | Brazil | 100% | Concession |
| MINAS GERAIS LITHIUM | 830579/2019 | Brazil | 100% | Concession |
| MINAS GERAIS LITHIUM | 830580/2019 | Brazil | 100% | Concession |
| MINAS GERAIS LITHIUM | 830581/2019 | Brazil | 100% | Concession |
| MINAS GERAIS LITHIUM | 830582/2019 | Brazil | 100% | Concession |

### AUSTRALIA

|                               |          |     |      |            |
|-------------------------------|----------|-----|------|------------|
| NOOMBENBERRY                  | E77/2622 | WA  | 100% | Concession |
| NOOMBENBERRY                  | E77/2624 | WA  | 100% | Concession |
| NOOMBENBERRY                  | E77/2725 | WA  | 100% | Concession |
| NOOMBENBERRY                  | E77/2724 | WA  | 100% | Concession |
| NOOMBENBERRY                  | E70/5650 | WA  | 100% | Concession |
| NOOMBENBERRY                  | E70/5649 | WA  | 100% | Concession |
| MOUNT CRAMPHORNE <sup>2</sup> | E77/2719 | WA  | 100% | Concession |
| BIG GREY                      | E45/5246 | WA  | 100% | Concession |
| MANILDRA <sup>2</sup>         | ELA6145  | NSW | 100% | Concession |
| BURDETT <sup>2</sup>          | ELA6024  | NSW | 100% | Concession |
| YARARA <sup>3</sup>           | EL8958   | NSW |      | Concession |

### NOTES

<sup>1</sup> Indirect interest via 27.62% shareholding in Westminster Resources Ltd

<sup>2</sup> Tenement in application

<sup>3</sup> Binding Farm-in Agreement with Mining and Energy Group Pty Ltd

## TENEMENT SCHEDULE

### ARGENTINA

#### Catamarca

|           |        |           |      |                        |
|-----------|--------|-----------|------|------------------------|
| LATINA 1  | 1/18   | Argentina | 100% | Exploration Concession |
| LATINA 2  | 3/18   | Argentina | 100% | Exploration Concession |
| LATINA 3  | 5/18   | Argentina | 100% | Exploration Concession |
| LATINA 4  | 6/18   | Argentina | 100% | Exploration Concession |
| LATINA 5  | 4/18   | Argentina | 100% | Exploration Concession |
| LATINA 6  | 2/18   | Argentina | 100% | Exploration Concession |
| LATINA 7  | 13/18  | Argentina | 100% | Exploration Concession |
| LATINA 8  | 14/18  | Argentina | 100% | Exploration Concession |
| LATINA 9  | 12/18  | Argentina | 100% | Exploration Concession |
| LATINA 10 | 11/18  | Argentina | 100% | Exploration Concession |
| LATINA 11 | 10/18  | Argentina | 100% | Exploration Concession |
| LATINA 12 | 9/18   | Argentina | 100% | Exploration Concession |
| LATINA 13 | 8/18   | Argentina | 100% | Exploration Concession |
| LATINA 14 | 7/18   | Argentina | 100% | Exploration Concession |
| LATINA 15 | 163/18 | Argentina | 100% | Exploration Concession |
| LATINA 16 | 207/18 | Argentina | 100% | Exploration Concession |
| LATINA 17 | 208/18 | Argentina | 100% | Exploration Concession |
| LATINA 18 | 209/18 | Argentina | 100% | Exploration Concession |
| LATINA 19 | 210/18 | Argentina | 100% | Exploration Concession |
| LATINA 20 | 211/18 | Argentina | 100% | Exploration Concession |
| LATINA 21 | 212/18 | Argentina | 100% | Exploration Concession |
| LATINA 22 | 213/18 | Argentina | 100% | Exploration Concession |

#### San Luis

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