

**LATIN AMERICAN MINERALS INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

For the year ended December 31, 2004

This Management's Discussion and Analysis (MD&A) provides details about Latin American Minerals ("the Company") 2004 financial results. It should be read in conjunction with the Financial Statements. Certain statements throughout this report are forward-looking and are based on information currently available. Actual results will vary and the variations may be significant. All figures are reported in Canadian dollars, unless otherwise stated.

### **Description of Business**

The Company proposes to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction. Any proposed Qualifying Transaction must be accepted by the Exchange and in the case of a Non Arm's Length Qualifying Transaction is also subject to Majority of the Minority Approval in accordance with the CPC Policy. The Company has not conducted commercial operations other than to enter into discussions for the purpose of identifying potential acquisitions or interests. The Company currently intends to pursue a Qualifying Transaction in the sector of mining exploration but there is no assurance that this will, in fact, be the business sector of a proposed Qualifying Transaction or of the Company following Completion of the Qualifying Transaction.

Until Completion of a Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. With the consent of the Exchange, this may include the raising of additional funds in order to finance an acquisition. Although the Company has commenced the process of identifying potential acquisitions with a view to completing the Qualifying Transaction, the Company has not yet entered into an Agreement in Principle.

### **Critical Accounting Policies**

A summary of significant accounting policies is presented in Note 3 of the financial statements.

### **Critical Accounting Estimates**

Preparing financial statements in accordance to Canadian GAAP requires management to make certain judgments and estimates. Changes to these judgments and estimates could have a material effect on the Company's Financial Statements and financial position. During the year ended December 31, 2004, we did not make any significant estimates.

### Results of Operations

The Company recorded a loss during the year ended December 31, 2004 of \$109,257. As the Company only started up on December 9, 2003 there are no comparisons to prior periods. In both the quarter and year to date the largest expense items were legal, audit and corporate governance costs incurred in connection with the filing of the prospectus and becoming listed on the TSX Venture exchange. The Company also incurred \$45,191 in project investigation costs.

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	Net loss	Basic and diluted Loss per share	Cash	Total Assets	Shareholders' equity
<b>Fiscal 2004</b>					
First quarter	\$ 5,576	\$ (0.00)	\$ 474,763	\$ 503,386	\$ 494,424
Second quarter	36,161	(0.00)	419,940	459,263	458,263
Third quarter	17,303	(0.00)	405,671	444,994	440,960
Fourth quarter	\$ 50,217	\$ (0.02)	\$ 772,767	\$ 782,503	\$ 704,734

### Financial Condition, Liquidity and Capital Resources

The cash on hand at December 31, 2004 was \$772,767. During the current year, \$500,000 was raised through a private placement, \$250,000 through the initial public offering, and \$168,000 was received in advance for a private placement currently in process. The funds raised were primarily used for costs related to identifying and evaluating mineral properties and costs related to the Offering (including listing fees, Agent's commission, legal fees, audit fees and other related expenses).

### Transactions with Related Parties

During the year ended December 31, 2004, the Company paid or accrued \$2,613 (2003 - \$Nil) for consulting fees to a director.

This transaction was in the normal course of operations and was measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to related parties are non-interest bearing, unsecured and without specific terms of repayment.

### Additional Disclosure for Venture Issuers Without Significant Revenue

There are no capitalized exploration and development costs recorded in the financial statements. General and administration expenses are presented in detail in the Statements of Loss and Deficit. There were no material costs incurred during the period.

### **Disclosure of Outstanding Share Data**

The following table details the share capital structure as at February 7, 2005, the date of this MD&A. These figures may be subject to minor accounting adjustments prior to presentation in future financial statements.

### **Capital Stock**

The total number of shares outstanding as at December 31, 2004 is 12,750,000. The following capital stock transactions occurred during the year ended December 31, 2004:

	Number of Shares	Amount
Private placement (1)	10,000,000	500,000
Initial public offering	2,500,000	250,000
Exercise of agent's warrants	250,000	25,000
Share issuance costs	-	(129,009)
As at December 31, 2004	12,750,000	\$ 645,991

In addition, as at December 31, 2004, there were 1,200,000 stock options outstanding. Should all outstanding stock options be exercised, the Company would receive additional proceeds of \$120,000. The expiration dates of the outstanding stock options are on April 9, 2009.

### **Subsequent Event**

Subsequent to December 31, 2004, the Company received conditional regulatory approval for a non-brokered private placement totalling 1,120,000 common shares at \$0.15 per share for gross proceed of \$168,000. The gross proceeds were received prior to December 31, 2004.

### **Outlook**

The Company intends to seek out and identify potential business opportunities involving the acquisition and exploration of mineral properties in Latin America that meet the requirements of a Qualifying Transaction. The acquisition of, or participation in, assets or business opportunities may arise in numerous ways and, notwithstanding management's current intentions, there are no geographical restrictions on such acquisitions or participation.

### **Additional Information**

Additional information pertaining to the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

**LATIN AMERICAN MINERALS INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2004**

## AUDITORS' REPORT

To the Shareholders of  
Latin American Minerals Inc.

We have audited the balance sheets of Latin American Minerals Inc. as at December 31, 2004 and December 31, 2003 and the statements of operations and deficit and cash flows for the year ended December 31, 2004 and the period from incorporation on December 9, 2003 to December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and for 2003 and the results of its operations and its cash flows for the year ended December 31, 2004 and the period from incorporation on December 9, 2003 to December 31, 2003 in accordance with Canadian generally accepted accounting principles.

**"DAVIDSON & COMPANY"**

Vancouver, Canada

Chartered Accountants

January 26, 2005

A Member of SC INTERNATIONAL

**LATIN AMERICAN MINERALS INC.**  
**BALANCE SHEETS**  
**AS AT DECEMBER 31**

	2004	2003
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 772,767	\$ -
Receivables	<u>9,736</u>	<u>-</u>
	<u>\$ 782,503</u>	<u>\$ -</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 35,936	\$ -
Due to related parties (Note 4)	<u>41,833</u>	<u>-</u>
	<u>77,769</u>	<u>-</u>
<b>Shareholders' equity</b>		
Capital stock (Note 5)	645,991	-
Subscriptions received in advance (Note 9)	168,000	-
Deficit	<u>(109,257)</u>	<u>-</u>
	<u>704,734</u>	<u>-</u>
	<u>\$ 782,503</u>	<u>\$ -</u>

**Continuance of operations** (Note 2)

**Subsequent event** (Note 9)

**On behalf of the Board:**

<u>"John Prochnau"</u>	Director	<u>"Robert Giustra"</u>	Director
John Prochnau		Robert Giustra	

The accompanying notes are an integral part of these financial statements.

**LATIN AMERICAN MINERALS INC.**  
**STATEMENTS OF OPERATIONS AND DEFICIT**

	Year Ended December 31, 2004	Period from Incorporation on December 9, 2003 to December 31, 2003
<b>EXPENSES</b>		
Audit and accounting	\$ 10,000	\$ -
Consulting fees	4,918	-
Office and miscellaneous	13,272	-
Legal	20,061	-
Project investigation	45,191	-
Telecommunications	5,094	-
Transfer agent and filing fees	9,809	-
Travel	5,921	-
	<u>(114,266)</u>	<u>-</u>
<b>OTHER</b>		
Interest income	1,651	-
Gain on foreign currency translation	3,358	-
	<u>5,009</u>	<u>-</u>
<b>Loss for the period</b>	(109,257)	-
<b>Deficit, beginning of period</b>	<u>-</u>	<u>-</u>
<b>Deficit, end of period</b>	\$ (109,257)	\$ -
<b>Basic and diluted loss per common share</b>	\$ (0.05)	\$ -
<b>Weighted average number of common shares outstanding</b>	2,349,315	N/A

The accompanying notes are an integral part of these financial statements.

**LATIN AMERICAN MINERALS INC.**  
**STATEMENTS OF CASH FLOWS**

	Year Ended December 31, 2004	Period from Incorporation on December 9, 2003 to December 31, 2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (109,257)	\$ -
Change in non-cash working capital items:		
Increase in receivables	(9,736)	-
Increase in accounts payable and accrued liabilities	35,936	-
Increase in due to related parties	<u>41,833</u>	<u>-</u>
Net cash used in operating activities	<u>(41,224)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Subscriptions received in advance	168,000	-
Capital stock issued for cash	775,000	-
Share issuance costs	<u>(129,009)</u>	<u>-</u>
Net cash provided by financing activities	<u>813,991</u>	<u>-</u>
<b>Increase in cash during the period</b>	<b>772,767</b>	<b>-</b>
<b>Cash, beginning of period</b>	<u>-</u>	<u>-</u>
<b>Cash, end of period</b>	<u>\$ 772,767</u>	<u>\$ -</u>
<b>Cash paid during the period for interest</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash paid during the period for income taxes</b>	<u>\$ -</u>	<u>\$ -</u>

There were no significant non-cash transactions for the year ended December 31, 2004 and for the period from incorporation on December 9, 2003 to December 31, 2003.

The accompanying notes are an integral part of these financial statements.

**1. INCORPORATION**

The Company was incorporated under the Canada Business Corporations Act on December 9, 2003. The Company is classified as a Capital Pool Company as defined in the TSX Venture Exchange (“TSX-V”) Listings Policy 2.4.

**2. CONTINUANCE OF OPERATIONS**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an investment in properties, assets or businesses. Such an acquisition will be subject to shareholder and regulatory approval.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

**Foreign currency translation**

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at the average exchange rate for the year. Exchange gains and losses arising on translation are included in the statement of operations.

**Stock-based compensation**

Stock options granted to employees and non-employees are accounted for at fair value and recorded as compensation costs.

**Income taxes**

Future income taxes are recorded using the asset and liability method whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

**LATIN AMERICAN MINERALS INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Diluted loss per common share has not been presented separately as this calculation proved to be anti-dilutive.

Basic and diluted loss per common share are calculated using the weighted average number of shares outstanding during the period.

**4. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2004, the Company paid or accrued \$2,613 (2003 - \$Nil) for consulting fees to a director.

This transaction was in the normal course of operations and was measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to related parties are non-interest bearing, unsecured and without specific terms of repayment.

**5. CAPITAL STOCK**

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	Number of Shares	Amount
Authorized		
Unlimited number of common shares without par value		
Common shares issued		
As at December 9, 2003 and December 31, 2003	-	\$ -
Private placement	10,000,000	500,000
Initial public offering	2,500,000	250,000
Exercise of agent's warrants	250,000	25,000
Share issuance costs	-	(129,009)
As at December 31, 2004	12,750,000	\$ 645,991

As at December 31, 2004, 10,000,000 common shares are subject to an escrow agreement and may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

**LATIN AMERICAN MINERALS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**5. CAPITAL STOCK (cont'd...)**

**Stock options**

The Board of Directors of the Company may from time to time, at its discretion, and in accordance with TSX-V requirements, grant to directors, officers, employees and consultants, non-transferable options to purchase common shares, exercisable for a period of up to 5 years from the date of grant, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares.

The following incentive stock options were outstanding and exercisable at December 31, 2004:

Number of Shares	Exercise Price	Expiry Date
1,200,000	\$ 0.10	April 9, 2009

**Stock-based compensation**

The Company records stock-based compensation expense using the Black-Scholes option pricing model to measure fair value. During the current year, the Company granted 1,200,000 options. However, because any shares received on exercise of the options would be escrowed until the Company completes a "Qualifying Transaction" as defined by the TSX-V, the compensation expense attributable to these options will not be recorded until completion of a Qualifying Transaction.

**6. INCOME TAXES**

A reconciliation of income taxes (recovery) at statutory rates is as follows:

	Year Ended December 31, 2004	Period from Incorporation on December 9, 2003 to December 31, 2003
Loss before income taxes (recovery)	\$ (109,257)	\$ -
Current income taxes (recovery)	\$ (38,895)	\$ -
Expenses deductible for tax purposes	(9,185)	-
Unrecognized benefits of non-capital losses	48,080	-
Total income taxes (recovery)	\$ -	\$ -

**LATIN AMERICAN MINERALS INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

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**6. INCOME TAXES (cont'd...)**

Details of the Company's future income tax assets are as follows:

	2004	2003
Future income tax assets:		
Non-capital loss carryforwards	\$ (48,080)	\$ -
Share issuance costs	<u>(36,742)</u>	<u>-</u>
	(84,822)	-
Valuation allowance	<u>84,822</u>	<u>-</u>
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

The Company has available for deduction against future taxable income non-capital losses of approximately \$135,000. These losses, if not utilized, will expire in 2014. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance.

**7. SEGMENTED INFORMATION**

The Company operates in one segment being to identify and evaluate assets or businesses for acquisition in Canada.

**8. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

**9. SUBSEQUENT EVENT**

Subsequent to December 31, 2004, the Company received conditional regulatory approval for a non-brokered private placement totalling 1,120,000 common shares at \$0.15 per share for gross proceed of \$168,000. The gross proceeds were received prior to December 31, 2004.