

**LATIN AMERICAN MINERALS INC.**  
**(An Exploration Stage Company)**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**



## AUDITORS' REPORT

To the Shareholders of  
**Latin American Minerals Inc.**

We have audited the balance sheet of **Latin American Minerals Inc.** ("the Company") as at December 31, 2005 and the statements of operations and deficit and cash flows for the year then ended. 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 audit.

We conducted our audit 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2004 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated February 10, 2005.

Vancouver, Canada,  
February 10, 2006.

/s/ Ernst & Young LLP  
Chartered Accountants

# Latin American Minerals Inc.

(An Exploration Stage Company)

Balance Sheets

As at December 31

(Canadian Funds)

	2005	2004
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 486,340	\$ 772,767
Receivables	1,178	9,736
	\$ 487,518	\$ 782,503
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 33,402	\$ 35,936
Due to related parties (note 6)	27,875	41,833
	61,277	77,769
<b>Shareholders' equity</b>		
Share capital (note 4)	813,991	813,991
Deficit	(387,750)	(109,257)
	426,241	704,734
	\$ 487,518	\$ 782,503

Nature and continuance of operations (note 1)

Commitments (note 7)

## On behalf of the Board:

"John Prochnau"

John Prochnau - Director

"Robert Giustra"

Robert Giustra - Director

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

## Latin American Minerals Inc.

(An Exploration Stage Company)

Statements of Operations and Deficit

For the Years Ended December 31

(Canadian Funds)

	<b>2005</b>	<b>2004</b>
<b>EXPENSES</b>		
Consulting fees	\$ 93,187	\$ 4,918
Corporate administration fees	36,000	-
Office and general	52,231	13,272
Professional fees	43,538	30,061
Property investigation	9,391	45,191
Shareholder relations	8,245	-
Telecommunications	5,117	5,094
Transfer agent and filing fees	13,998	9,809
Travel	20,210	5,921
<b>Loss before the following</b>	<b>(281,917)</b>	<b>(114,266)</b>
Interest income	5,173	1,651
Foreign exchange gain (loss)	(1,749)	3,358
Net loss for the year	(278,493)	(109,257)
Deficit, beginning of year	(109,257)	-
<b>Deficit, end of year</b>	<b>\$ (387,750)</b>	<b>\$ (109,257)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding (Basic and Diluted)</b>	<b>13,747,260</b>	<b>9,692,466</b>

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

## Latin American Minerals Inc.

(An Exploration Stage Company)

Statements of Cash Flows

For the Years Ended December 31

(Canadian Funds)

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Loss for the year	\$ (278,493)	\$ (109,257)
Changes in non-cash working capital items:		
Decrease / (Increase) in receivables	8,558	(9,736)
Increase / (Decrease) in accounts payable	(2,534)	35,936
Increase / (Decrease) in due to related parties	(13,958)	41,833
<b>Net cash used in operating activities</b>	<b>(286,427)</b>	<b>(41,224)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of share capital	-	775,000
Share issuance costs incurred	-	(129,009)
Share subscriptions received in advance	-	168,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>813,991</b>
<b>Change in cash during the year</b>	<b>(286,427)</b>	<b>772,767</b>
<b>Cash, beginning of year</b>	<b>772,767</b>	<b>-</b>
<b>Cash, end of year</b>	<b>\$ 486,340</b>	<b>\$ 772,767</b>

Supplemental Cash Flow Information - Note 8

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

## **1. NATURE AND CONTINUANCE OF OPERATIONS**

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

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 (the “Qualifying Transaction”). The Company has not yet completed its Qualifying Transaction, but it is awaiting regulatory approval for a proposed mineral property acquisition in Argentina. Upon completion of the proposed Qualifying Transaction the Company’s nature of business will be the continued acquisition and exploration of mineral resource properties and as such will be classified as a Tier 2 Mining Issuer on the TSX-V.

## **2. 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.

### **Income taxes**

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.

### **Share capital**

The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Mineral properties**

The Company is in the exploration stage and defers all expenditures related to its mineral properties until such time as the property is put into commercial production, sold or abandoned. Under this method, the amounts reported represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

If the property is put into commercial production, the expenditures will be depleted based upon the proven reserves available. If the property is sold or abandoned, then the expenditure will be charged to operations. The Company does not accrue the estimated future costs of maintaining in good standing its mineral properties.

In the event that reserves are determined, the carrying values of a mineral property interest, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, then the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized is dependent upon the identification of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and to realize profitable production and proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment will be based on current conditions. However, it is possible that changes could occur in the near term, which could adversely affect management's estimates and may result in future write-downs of the capitalized property carrying values.

**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**

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. Accordingly, the fair value of the options at the date of the grant is charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

**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.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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. Under the treasury stock method, the basic and diluted loss per share are the same, as the effect of common shares issuable upon the exercise of warrants and stock options of the Company would be anti-dilutive.

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

**3. MINERAL PROPERTIES**

La Carolina

Pursuant to an agreement dated November 9, 2005 with Geocom Resources Inc. (“Geocom”), TNR Gold Corp. (“TNR”) and Compania Minera Solitario Argentina S.A. (“Solitario”), the Company will have the right to earn a 75% interest in the La Carolina Property (the “Carolina Property”) located in Argentina. The property consists of 13 mineral claims covering approximately 2,030 hectares in the San Luis Province in west-central Argentina.

The proposed transaction (the “Acquisition”), subject to regulatory approval, will serve as the Company’s Qualifying Transaction for the purposes of the policies of the TSX-V. In conjunction with and as a result of the Qualifying Transaction, the Company will also seek regulatory approval to be classified as a Tier 2 Mining Issuer on the Exchange.

Under the Agreement the Company can earn a 75% interest in the Property by:

- (a) making exploration expenditures on the Property totaling US\$1,000,000 by the fifth anniversary date of Exchange approval for the Qualifying Transaction, provided that a minimum exploration expenditure of US\$50,000 is made by the first anniversary of Exchange approval; and
- (b) by making cash payments totaling US\$125,000 and issuing 125,000 common shares of the Company (the “Shares”) as follows, each divided equally between Geocom and TNR:
  - (i) US\$25,000 and 25,000 Shares upon receipt of Exchange approval; and
  - (ii) an additional US\$25,000 and 25,000 Shares by the first anniversary of Exchange approval; and
  - (iii) an additional US\$25,000 and 25,000 Shares by the second anniversary of Exchange approval; and

**3. MINERAL PROPERTIES** (continued)

- (iv) an additional US\$25,000 and 25,000 Shares by the third anniversary of Exchange approval; and
- (v) an additional US\$25,000 and 25,000 Shares by the fourth anniversary of Exchange approval.

Upon making US\$500,000 in total exploration expenditures and paying US\$62,500 in cash and issuing 62,500 Shares to Geocom and TNR, the Optionee will have earned a 37.5% interest in the Property. The 37.5% interest in the Property earned by the Optionee, will be held by Solitario in trust for the benefit of the Optionee until such time as the full 75% interest in the Property is vested by the Optionee. Notwithstanding the consideration set out above, upon full vesting of its 75% interest in the Property, the Optionee will issue to the Optionors an additional 100,000 Shares divided 50% to TNR and 50% to Geocom.

Upon satisfaction of the requirements set out in paragraphs (a) and (b) above, the Optionors and the Optionee agree to form a joint venture which shall provide for the Optionee having a 75% participating interest and the Optionors having a 25% participating interest. Should either party fail to participate in an approved program, then their interest shall be diluted in accordance with the joint venture agreement. If one of the joint venture partners is diluted to a 10% interest, then its participating interest will immediately convert to a 1% NSR. The joint venture agreement will provide the Optionee with the option to purchase the 1% NSR at anytime of USD\$1,000,000.

Any additional claims staked by the parties within 2 km of the Carolina Property will automatically become part of the agreement.

At December 31, 2005, the Company is awaiting regulatory approval before proceeding with the terms of the acquisition agreement.

Los Menucos / Uspallata Graben

Pursuant to an agreement dated September 19, 2005 with Arminex S.A., the Company has the right to acquire a 100% interest in the Los Menucos and Uspallata Graben Properties located in Argentina. The properties consist of 45 mineral licenses covering approximately 118,044 hectares in Rio Negro and San Juan Provinces. Consideration for the properties is a cash payment of USD\$60,000.

At December 31, 2005, the Company is awaiting regulatory approval before proceeding with the terms of the acquisition agreement.

**4. SHARE CAPITAL**

a) **Authorized** – Unlimited number of common shares without par value.

**b) Issued and Outstanding**

	<u>Number of shares</u>	<u>Amount</u>
As at 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
Subscriptions received in advance <sup>(1)</sup>	-	168,000
Share issuance costs	-	(129,009)
	<hr/>	<hr/>
As at December 31, 2004	12,750,000	813,991
Private placement <sup>(1)</sup>	1,120,000	-
	<hr/>	<hr/>
As at December 31, 2005	13,870,000	\$ 813,991

<sup>(1)</sup> On February 10, 2005, the Company completed a non-brokered private placement and issued 1,120,000 common shares for gross proceeds of \$168,000. The funds from this private placement were received by the Company in December 2004.

c) **Escrowed Shares** – There are 10,120,000 common shares that are subject to an escrow agreement and may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. A total of 10,000,000 of these shares were issued to the founders of the Company during the seed round financing. The balance resulted from a Company imposed escrow agreement associated with the private placement in February 2005.

**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.

**4. SHARE CAPITAL** (continued)

The following incentive stock options, issued in 2004 to Directors of the Company, were outstanding and exercisable at December 31, 2005:

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

**e) Stock-based Compensation**

The Company records stock-based compensation expense using the Black-Scholes option pricing model to measure fair value. There were no options issued during 2005. During 2004, the Company granted 1,200,000 options and determined the fair value to be \$nil. The fair value is based on the following assumptions:

Risk Free Interest Rate	4.25%
Expected Life of Option	4 Years
Volatility	0%

**5. INCOME TAXES**

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

	<b>2005</b>	<b>2004</b>
Loss before income taxes (recovery)	\$ (278,493)	\$ (109,257)
Current income taxes (recovery)	\$ (99,144)	\$ (38,895)
Expenses deductible for tax purposes	(8,586)	(9,185)
Unrecognized benefits of non-capital losses	107,730	48,080
Total income taxes (recovery)	\$ -	\$ -

**5. INCOME TAXES** (continued)

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

	<b>2005</b>	<b>2004</b>
Estimated non-capital losses available	\$ 437,670	\$ 135,059
Estimated corporate income tax rate	35.6%	35.6%
Potential future income tax assets	155,810	48,080
Less: Valuation allowance	(155,810)	(48,080)
Future Income Tax Asset (Liability)	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses of \$437,670. 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. The expiration of these losses will occur as follows:

Year	Amount
2014	\$135,059
2015	\$302,611

**6. RELATED PARTY TRANSACTIONS**

The aggregate amount of expenditures made to parties not at arm's length to the Company consists of the following:

- a) Consulting fees totalling \$17,719 (2004 - \$2,613) were paid or accrued to a Director for geological services.
- b) Reimbursable office costs and third party consulting fees totalling \$46,283 (2004 - \$41,833) were paid or accrued to an Argentinean company controlled by a Director.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to related parties at December 31, 2005 are as follows:

- a) \$6,061 (2004 - \$nil) due to a Director for geological consulting fees.
- b) \$21,814 (2004 - \$41,833) due to an Argentinean company controlled by a Director for reimbursement of office costs and third party consulting fees.

There are no specific terms for repayment.

**7. COMMITMENTS**

Subject to completion of satisfactory due diligence, the Company has engaged Graydon Elliott Capital Corp. to act as sponsor in connection with the qualifying transaction announced on November 29, 2005. Under the sponsorship agreement, the sponsor will receive a sponsorship fee of \$20,000 plus the goods and services tax (GST), payable as to \$10,000 plus GST (paid) upon execution of the sponsorship agreement and \$10,000 plus GST payable upon the submission by the sponsor to the TSX-V of its final sponsor report.

On December 8, 2005, as amended by the February 28, 2006 announcement, the Company announced that it has arranged a non-brokered private placement of up to 625,000 units at \$0.48 per unit for gross proceeds of \$300,000. Each unit will consist of one common share and one common share purchase warrant which will entitle the holder to purchase one additional common share at a price of \$0.59 for a period of two years from the date of closing. The placement will likely be completed during the first quarter of 2006 and concurrently with the proposed Qualifying Transaction. The completion of this equity offering is a requirement for regulatory approval of the Qualifying Transaction.

**8. SUPPLEMENTAL CASH FLOW INFORMATION**

There were no non-cash transactions for the year ended December 31, 2005.

	<u>2005</u>	<u>2004</u>
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

**9. SUBSEQUENT EVENT**

Subsequent to year end, the Company submitted a filing statement to the TSX-V for conditional approval of its Qualifying Transaction and Tier 2 Mining Issuer listing status. In accordance with CPC policies, the Company's Qualifying Transaction is based on an agreement to earn a 75% interest in the La Carolina property (Refer to Resource Properties). Furthermore, the Company has increased its previously announced private placement to 625,000 units for gross proceeds of \$300,000 in order to meet TSX-V working capital requirements.

**LATIN AMERICAN MINERALS INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

## **INTRODUCTION**

The following discussion of performance and financial condition should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2005. The Company's financial statements are prepared in accordance with Canadian GAAP. The Company's reporting currency is Canadian dollars unless otherwise stated. The date of this Management's Discussion and Analysis is March 2, 2006.

## **DESCRIPTION OF BUSINESS**

Latin American Minerals Inc. (the "Company") was incorporated under the Canada Business Corporations Act on December 9, 2003. The Company is listed on the TSX Venture Exchange (the "Exchange") as a capital pool company ("CPC") under the trading symbol – LAT.P.

The Company was incorporated with the purpose of identifying and evaluating businesses and assets with a view to completing a qualifying transaction (the "Qualifying Transaction"). Any proposed Qualifying Transaction must be accepted by the Exchange. The Company has not conducted commercial operations other than to enter into discussions for the purpose of identifying potential acquisitions or interests.

During the year, the Company entered into an agreement with Arminex S.A., the Argentine subsidiary of Golden China Resources Corporation (see announcement of May 09, 2005), to purchase a 100% interest in the Los Menucos and Uspallata Graben properties in Argentina. The proposed transaction was intended to serve as the Company's Qualifying Transaction for the purposes of the policies of the Exchange. However, in light of the recent legislation in Rio Negro Province banning the use of cyanide in mineral processing, management no longer intends this property acquisition to serve as the Company's Qualifying Transaction. Under substantially amended terms of acquisition and subject to Exchange approval, the Company will acquire an undivided 100% interest in the Los Menucos and Uspallata Graben properties for a cash payment of US\$60,000.

In November 2005, the Company entered into an agreement to acquire a 75% interest in the La Carolina Property in Argentina (See – **Qualifying Transaction**). This is an arm's length transaction that is awaiting Exchange approval.

## **QUALIFYING TRANSACTION**

The Company is pleased to report that it has entered into an agreement (the "Agreement") with Geocom Resources Inc. ("Geocom"), TNR Gold Corp. ("TNR") and Compania Minera Solitario Argentina S.A. ("Solitario") under which it will have the right to earn a 75% interest in the La Carolina Property (the "Property") located in Argentina.

The proposed transaction (the "Acquisition") will serve as the Company's qualifying transaction (the "Qualifying Transaction") for the purposes of the policies of the TSX Venture Exchange (the "Exchange"). In conjunction with and as a result of the Qualifying Transaction, the Company will also seek regulatory approval to list as a Tier 2 Mining Issuer on the Exchange. Sponsorship by a member firm of the Exchange (the "Sponsor") is required in connection with the Qualifying Transaction. Graydon Elliott Capital Corporation has been retained by the Company to act as the Sponsor.

Pursuant to the terms of a letter agreement entered into with effect from November 09, 2005 between the Company, Geocom, TNR and Solitario (the "Agreement"), the Company has been granted the right to earn a 75% interest in thirteen (13) mineral claims totalling 2030 hectares that form the Property and are located in the La Carolina District of San Luis Province in west-central Argentina.

Under the Agreement the Company can earn a 75% interest in the Property by:

- (a) making exploration expenditures on the Property totaling US\$1,000,000 by the fifth anniversary date of Exchange approval, provided that a minimum exploration expenditure of US\$50,000 is made by the first anniversary of Exchange approval; and
- (b) by making cash payments totaling US\$125,000 and issuing 125,000 common shares of the Company (the "Shares") as follows, each divided equally between Geocom and TNR:
  - (i) US\$25,000 and 25,000 Shares upon receipt of Exchange approval; and
  - (ii) an additional US\$25,000 and 25,000 Shares by the first anniversary of Exchange approval; and
  - (iii) an additional US\$25,000 and 25,000 Shares by the second anniversary of Exchange approval; and
  - (iv) an additional US\$25,000 and 25,000 Shares by the third anniversary of Exchange approval; and
  - (v) an additional US\$25,000 and 25,000 Shares by the fourth anniversary of Exchange approval.

Upon making US\$500,000 in total exploration expenditures and paying US\$62,500 in cash and issuing 62,500 Shares to Geocom and TNR, the Optionee will have earned a 37.5% interest in the Property. The 37.5% interest in the Property earned by the Optionee, will be held by Solitario in trust for the benefit of the Optionee until such time as the full 75% interest in the Property is vested by the Optionee. Notwithstanding the consideration set out above, upon full vesting of its 75% interest in the Property, the Optionee will issue to the Optionors an additional 100,000 Shares divided 50% to TNR and 50% to Geocom.

Upon satisfaction of the requirements set out in paragraphs (a) and (b) above, the Optionors and the Optionee agree to form a joint venture which shall provide for the Optionee having a 75% participating interest and the Optionors having a 25% participating interest. Should either party fail to participate in an approved program, then their interest shall be diluted in accordance with the joint venture agreement. If one of the joint venture partners is diluted to a 10% interest, then its participating interest will immediately convert to a 1% NSR. The joint venture agreement will provide the Optionee with the option to purchase the 1% NSR at anytime of USD\$1,000,000.

The Agreement provides for the Company to be the operator of the Property. Furthermore, any additional claims staked by the parties within 2 km of the Carolina Property will automatically become part of the agreement.

The Acquisition does not constitute a Non-Arm's Length Transaction Qualifying Transaction under the Policies of the Exchange. Therefore, the Company is not required to seek shareholder approval for the proposed Acquisition, but instead has submitted a filing statement under the policies of the Exchange.

The Company's Qualified Person for the purposes of this management discussion is John F. Prochnau, P.Eng., Latin's president and a director.

### La Carolina

The Property consists of thirteen (13) mineral claims totalling 2,030 hectares and is located in the La Carolina District of the San Luis Province in west-central Argentina and is situated at an elevation of about 2000m in the Sierras de San Luis. The Property lies some 85km north of the provincial capital, San Luis, and is accessible year-round via paved roads.

The area forms part of the Sierra Pampeanas, an early to mid-Paleozoic metamorphic terrane comprising Cambrian to Devonian metamorphic rocks and intrusives that have been intruded by a NW-trending belt of Mio-Pliocene volcanic centers with which gold mineralization is associated. This belt is approximately 80km long and about 10km wide and nearly perpendicular to the prominent range-front reverse faults which delineate the western edge of the Sierra Pampeanas in the area. The belt represents the easternmost expression of potassic magmatism associated with the southern edge of the Flat Slab region of the Andes, and is considered to be analogous to the highly mineralized Farallón Negro district (Bajo de la Alumbreira) to the north. The La Carolina Belt is thought to be particularly prospective for low sulphidation epithermal gold mineralization similar to that at the world class Cripple Creek, Colorado District.

The Property which lies at the northwest end of the belt, contains gold mineralization associated with diatreme bodies related to Tertiary porphyritic dacite domes as well as vein-style gold mineralization hosted by the Paleozoic country rocks. Gold porphyry mineralization is also reported from the Diente Verde prospect some 15km to the southeast.

Historically, the district has seen small but significant minerals production. Alluvial gold has been produced from placers, and minor hard rock production has been won from narrow Au-W-Pb-Zn vein deposits such as Esperanza which lies in the Property.

The mineral concessions have been more recently explored by Dirección de Fabricaciones Militares (DGFm) which located numerous showings within the current Property boundaries during their campaign between 1985 and 1990. Subsequently, a number of holes have been drilled on various occurrences within the Property by various companies, including DGFm, Anglo American (1990), Cameco (1990), Solitario/TNR (1996-1997), and Geocom (2004). DGFm reported 138m grading 2.5g/t Au from hole DDH 88-1 drilled on the El Camino occurrence and surface rock chip sampling by Solitario/TNR over the same occurrence is reported to have returned a grade of 7.46g/t Au (Sample 40847). At the Cerro Mogote occurrence, hole DDH 88-49 by DGFm intersected a narrow high grade zone containing 3m of 59g/t Au while hole M-04 by Geocom intersected 4m of 5.96g/t.

The results from this previous work have indicated potential for the discovery of both high grade mineralization in Cripple Creek-style breccias and diatreme bodies related to Tertiary volcanic activity, and bulk, low grade mineralization related to narrow vein and sheeted veinlet zones and associated alteration hosted by the Paleozoic country rock. Latin intends to undertake an initial program of detailed geological mapping, geochemical sampling and magnetic surveying of the area with a view to delineating the extent of the known zones of mineralization and identifying new targets.

**OTHER RESOURCE PROPERTIES**

Los Menucos / Uspallata Graben

Pursuant to an agreement dated September 19, 2005 with Arminex S.A., the Company has the right to acquire a 100% interest in the Los Menucos and Uspallata Graben Properties located in Argentina. The properties consist of 45 mineral licenses covering approximately 118,044 hectares in Rio Negro and San Juan Provinces. Consideration for the properties is a cash payment of USD\$60,000.

**RESULTS OF OPERATIONS – CURRENT PERIOD**

The Company reported an \$119,322 loss during the fourth quarter versus a \$50,217 loss in the same period last year. This amounts to a \$69,105 (138%) increase over the prior period which can be attributed primarily to legal and consulting fees associated with the Company completing its due diligence on the La Carolina Property for its Qualifying Transaction submission. Additionally, the Company has incurred increased administration costs due to maintaining a local office in Argentina.

**RESULTS OF OPERATIONS – YEAR TO DATE**

The Company incurred a \$278,493 loss during the year versus a \$109,257 loss in the prior year. This amounts to a \$169,236 (155%) increase over the prior year. This dramatic increase is attributable to the fact that the Company was only formed in December 2003 and had no real operations until the current year. Furthermore, the Company incurred substantial costs, composed mainly of professional and consulting fees, in the identification and evaluation of the Company's Qualifying Transaction.

**SELECTED ANNUAL INFORMATION (\$)**

	<b>December 31, 2005</b>	December 31, 2004	December 31, 2003
<b>Financial results:</b>			
Net loss for year	<b>278,493</b>	109,257	-
Basic and diluted loss per share	<b>0.02</b>	0.01	-
Expenditures on resource properties	-	-	-
<b>Balance sheet data:</b>			
Cash and short term deposits	<b>486,340</b>	772,767	-
Resource properties	-	-	-
Total assets	<b>487,518</b>	782,503	-
L/T Financial liabilities	-	-	-
Shareholders' equity	<b>426,241</b>	704,734	-

**LATIN AMERICAN MINERALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2005

**SELECTED QUARTERLY FINANCIAL DATA (\$)**

	Dec 31 2005	Sept. 30 2005	Jun. 30 2005	Mar. 31 2005	Dec. 31 2004	Sept. 30 2004	Jun. 30 2004	Mar. 31 2004
<b>Financial results:</b>								
Net loss for the period	119,322	53,579	48,009	57,583	50,217	17,303	36,161	5,576
Basic/Diluted loss per share	0.01	-	-	0.01	0.01	-	-	-
Resource expenditures	-	-	-	-	-	-	-	-
<b>Balance sheet data:</b>								
Cash	486,340	558,362	601,567	703,775	772,767	405,671	419,940	474,763
Resource properties	-	-	-	-	-	-	-	-
Total assets	487,518	562,543	603,026	716,403	782,503	444,994	459,263	503,386
Shareholders' equity	426,241	545,563	599,142	647,151	704,734	440,960	458,263	494,424

**CAPITAL RESOURCES**

On February 10, 2005, the Company completed a non-brokered private placement of 1,120,000 common shares for gross proceeds of \$168,000. The funds were received in the prior year, but the common shares were not issued until the current year.

On December 8, 2005, as amended by the February 28, 2006 announcement, the Company announced that it has arranged a non-brokered private placement of up to 625,000 units at \$0.48 per unit for gross proceeds of \$300,000. Each unit will consist of one common share and one common share purchase warrant which will entitle the holder to purchase one additional common share at a price of \$0.59 for a period of two years from the date of closing of the placement. The placement will likely be completed during the first quarter of 2006 and concurrently with the proposed Qualifying Transaction. The completion of this equity offering is a requirement for regulatory approval of the Qualifying Transaction.

**LIQUIDITY**

The Company does not currently own or have an interest in any producing mineral properties and does not derive any revenues from operations. The Company's activities have been funded through equity financing and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flow from operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail its activities to a level for which funding is available and can be obtained.

As at December 31, 2005, the Company had working capital of \$426,241 which included a cash balance of \$486,340. In order to fund the proposed QT property acquisitions, the initial exploration budgets described below and provide 12 months of general working capital for the upcoming year, the Company has announced a non-brokered equity financing to raise \$300,000. The placement will likely be completed during the first quarter of 2006 and concurrently with the proposed Qualifying Transaction. The completion of this equity offering is a requirement for regulatory approval of the Qualifying Transaction.

**LATIN AMERICAN MINERALS INC.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The proposed work budget for the La Carolina property is as follows:

<b>Expenditure Item</b>	<b>Amount (Cdn \$)</b>	<b>Amount (USD \$)</b>
Data acquisition and compilation	23,342	20,000
Satellite Imagery acquisition and geo-referencing	5,836	5,000
Alteration studies	3,501	3,000
Magnetic survey	9,337	8,000
Detailed mapping	10,504	9,000
Soil sampling	17,506	15,000
IP test survey and follow-up	23,342	20,000
Drilling (1,000m @ \$120/m)	140,052	120,000
Contingency (10%)	23,342	20,000
<b>Total</b>	<b>256,762</b>	<b>220,000</b>

The proposed work budget for the Los Menucos property is as follows:

<b>Expenditure Item</b>	<b>Amount (Cdn \$)</b>	<b>Amount (USD \$)</b>
Geological supervision	18,674	16,000
Data acquisition and compilation	14,005	12,000
Mobilization, airfares, vehicles	9,337	8,000
Assistants	4,668	4,000
Drilling (4,000m @ \$15/m)	56,021	48,000
Crew support, food, lodging	9,337	8,000
Sampling and assays, freight	28,010	24,000
Reports and draughting	9,337	8,000
Contingency (10%)	14,005	12,000
<b>Total</b>	<b>163,394</b>	<b>140,000</b>

## **COMMITMENTS**

The Company entered into two property acquisition agreements that call for cash and common share payments. (refer to Qualifying Transaction and Description of Business)

The Company has engaged Graydon Elliott Capital Corp. to act as sponsor in connection with the qualifying transaction announced on November 29, 2005. Under the sponsorship agreement, the sponsor will receive a sponsorship fee of \$20,000 plus the goods and services tax (GST), payable as to \$10,000 plus GST (paid) upon execution of the sponsorship agreement and \$10,000 plus GST payable upon the submission by the sponsor to the TSX Venture Exchange of its final sponsor report.

**OUTSTANDING SHARE DATA**

a) **Authorized Share capital:** unlimited common shares without par value

b) **Issued and Outstanding:**

	Number of Common Shares	Amount
Balance at December 31, 2003	-	\$ -
Private Placement	10,000,000	500,000
Initial Public Offering	2,500,000	250,000
Exercise of Agents' Warrants	250,000	25,000
Subscriptions received in advance <sup>(1)</sup>	-	168,000
Less: Share Issue Costs	-	(129,009)
Balance at December 31, 2004	12,750,000	813,991
Private Placement <sup>(1)</sup>	1,120,000	-
Balance at March 1, 2006 and December 31, 2005	13,870,000	\$ 813,991

<sup>1)</sup> On February 10, 2005, the Company issued 1,120,000 common shares under a non-brokered private placement at \$0.15 per share for gross proceeds of \$168,000. The cash from this equity offering was received by the Company in December 2004.

c) **Escrowed Shares:** There are 10,120,000 common shares that are subject to a standard 3 year release schedule which allows 10% to be released upon exchange acceptance of the Qualifying Transaction and 15% every 6 months thereafter.

d) **Options:**

A summary of stock options outstanding at December 31, 2005 is as follows:

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

e) **Warrants:**

There are no warrants outstanding at the end of the period.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the Financial Statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs consistent with Canadian GAAP and applicable guidelines for exploration stage companies. The policy is consistent with other junior exploration companies which have not established mineral reserves objectively. An alternative policy would be to expense these costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

Another significant estimate relates to accounting for stock-based compensation. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the year.

## **SUBSEQUENT EVENTS**

There were no material events subsequent to the date of this report.

## **RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2005, the Company incurred \$17,719 in geological consulting fees to a Director of the Company. Additionally, the Company reimbursed \$46,283 in third party consulting fees and office costs to an Argentinean company controlled by a Director. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## **FINANCIAL AND OTHER INSTRUMENTS**

The Company's financial assets and liabilities consist of cash and cash equivalents, receivables and accounts payable and accrued liabilities. 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 instruments approximates their carrying value due to the short term nature of their maturity.

## **CHANGES IN ACCOUNTING POLICIES**

The Company did not implement any accounting policy changes during the period.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company did not enter into any off-balance sheet arrangements during the period.

## **RISKS AND UNCERTAINTIES**

The Company is entering the mineral exploration and development business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

- a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates.
- b) The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. Management was successful in accessing the equity markets during the period, but there is no assurance that such sources will be available on acceptable terms in the future.
- c) Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.
- d) The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs.
- e) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to undertake its exploration and development activities in the future.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

## **OTHER INFORMATION**

At the Company's Annual General Meeting held on May 24, 2005, shareholders approved the expansion of the Board of Directors to five members. The Board is now comprised of Robert Giustra, John Prochnau, Alberto Orcoyen, Kenneth Judge and Paul Fornazzari.

Additional information about the Company is available on the Company's website at [www.latinamericanminerals.com](http://www.latinamericanminerals.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

## **CAUTION REGARDING FORWARD LOOKING STATEMENTS**

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

**CORPORATE INFORMATION**

Head Office: Suite 910 – 475 Howe Street  
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Directors: Robert Guistra John Prochnau  
Alberto Orcoyen Kenneth Judge  
Paul Fornazzari

Officers: John Prochnau, President  
Barry McKnight, CFO and Corporate Secretary

Auditor: Ernst and Young LLP  
Suite 2300 – 700 West Georgia Street  
Vancouver, BC V7Y 1C7

Legal Counsel: Vector Corporate Lawyers  
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