

LATIN AMERICAN MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS
(An Exploration Stage Enterprise)
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

AUDITORS' REPORT

To the Shareholders of
Latin American Minerals Inc.

We have audited the consolidated balance sheets of **Latin American Minerals Inc.** as at December 31, 2007 and 2006, and the consolidated statements of operations, comprehensive loss, and deficit and cash flows for the years then ended. These consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with Canadian generally accepted accounting principles.

Ernst & Young LLP

Vancouver, Canada
April 11, 2008.

Chartered Accountants

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)
AS AT DECEMBER 31

Nature of Operations and Going Concern (Note 1)

	2007	2006
ASSETS		
Current		
Cash and cash equivalents	\$ 7,923,701	\$ 2,940,146
Accounts receivable	397,616	286,328
Prepaid expenses	<u>174,259</u>	<u>391</u>
	8,495,576	3,226,865
Other long-term asset (Note 8h)	139,831	-
Field & Office Equipment (Note 5)	493,216	136,403
Mineral Properties (Note 4)	<u>3,539,854</u>	<u>381,420</u>
	<u>\$ 12,668,477</u>	<u>\$ 3,744,688</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities	\$ 424,865	\$ 181,830
Due to related parties (Notes 8a, 8c, 8d, 8f and 8g)	<u>185,224</u>	<u>341,359</u>
	610,089	523,189
Non-Controlling Interest	<u>19,713</u>	<u>51,283</u>
	<u>629,802</u>	<u>574,472</u>
Shareholders' Equity		
Share capital (Note 6)	13,876,560	3,578,600
Contributed surplus (Notes 6c and 6d)	5,431,515	1,156,752
Deficit	<u>(7,269,400)</u>	<u>(1,565,136)</u>
	<u>12,038,675</u>	<u>3,170,216</u>
	<u>\$ 12,668,477</u>	<u>\$ 3,744,688</u>

Subsequent Events (Note 10)

On behalf of the Board:

"David Wahl" Director "Paul Fornazzari" Director

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

LATIN AMERICAN MINERALS INC.*(An Exploration Stage Enterprise)***CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS, AND DEFICIT**

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31

	2007	2006
EXPENSES		
Amortization and depreciation	\$ 85,539	-
Business development	51,761	-
Capital tax	63,771	16,996
Consulting fees <i>(Notes 8a, 8f and 8g)</i>	594,962	72,226
Corporate administration fees <i>(Note 8b)</i>	35,000	124,227
Directors fees <i>(Note 8c)</i>	11,903	52,955
Office and general	222,673	69,239
Professional fees <i>(Notes 8d and 8e)</i>	725,867	253,580
Property investigation	125,188	40,299
Salaries and staff costs	197,174	34,036
Shareholder relations	8,484	11,179
Stock based compensation <i>(Note 6b)</i>	1,552,941	288,800
Telecommunications	24,681	2,828
Transfer and filing fees	39,292	60,717
Travel	234,288	44,353
	<u>3,973,524</u>	<u>1,071,435</u>
OTHER ITEMS		
Interest income	(224,930)	(12,586)
Foreign exchange loss	85,114	6,895
Write down of mineral properties <i>(Note 4)</i>	2,002,650	115,319
	<u>1,862,834</u>	<u>109,628</u>
Loss before non-controlling interest	5,836,358	1,181,063
Non-controlling interest	<u>(132,094)</u>	<u>(3,677)</u>
Net loss and comprehensive loss	5,704,264	1,177,386
Deficit, beginning of the year	<u>1,565,136</u>	<u>387,750</u>
Deficit, end of the year	<u>\$ 7,269,400</u>	<u>\$ 1,565,136</u>
Loss per share (basic and diluted)	\$ 0.15	\$ 0.07
Weighted average number of shares outstanding	38,778,367	16,346,586

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

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31

	2007	2006
OPERATIONS:		
Net loss for the year	\$ (5,704,264)	\$ (1,177,386)
Adjust for non-cash items:		
Amortization and depreciation	85,539	-
Write down of mineral properties	2,002,650	115,319
Stock based compensation	1,552,941	288,800
Foreign exchange loss	85,114	6,895
Non-controlling interest	132,094	3,677
	<u>(1,845,926)</u>	<u>(762,695)</u>
Change in non-cash working capital:		
Increase in accounts receivable	(111,289)	(285,150)
Increase in prepaid expenses	(173,868)	(391)
Increase in accounts payable and accrued liabilities	243,035	432,787
Increase (decrease) in due to related parties	<u>(156,135)</u>	<u>29,125</u>
	<u>(2,044,183)</u>	<u>(586,324)</u>
FINANCING:		
Proceeds from the issuance of share units	12,000,000	4,095,000
Share issuance costs incurred	(912,190)	(546,889)
Exercise of stock options and warrants	1,481,750	40,000
Other long-term asset	<u>(139,831)</u>	<u>-</u>
	<u>12,429,729</u>	<u>3,588,111</u>
INVESTING:		
Acquisition of equipment	(442,351)	(136,403)
Acquisition of mineral properties	(853,402)	(143,142)
Deferred exploration and development costs	<u>(3,857,460)</u>	<u>(261,541)</u>
	<u>(5,153,213)</u>	<u>(541,086)</u>
Effect of exchange rate change on cash and cash equivalents	<u>(248,778)</u>	<u>(6,895)</u>
Increase in cash and cash equivalents during the year	4,983,555	2,453,806
Cash and cash equivalents, beginning of the year	<u>2,940,146</u>	<u>486,340</u>
Cash and cash equivalents, end of the year	<u>\$ 7,923,701</u>	<u>\$ 2,940,146</u>
OTHER SUPPLEMENTARY INFORMATION		
Interest expense paid in cash	\$ -	\$ 3,292
Income taxes paid in cash	-	-

Refer to Note 9 for additional information on non-cash transactions.

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

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

1. NATURE OF OPERATIONS AND GOING CONCERN

Latin American Minerals Inc. (“Latin” or the “Company”) was incorporated under the Canada Business Corporations Act on December 9, 2003. Effective April 4, 2006, the Company graduated from a Capital Pool Company (“CPC”) listing to a Tier 2 Mining Issuer on the TSX Venture Exchange (the “TSX-V” or “Exchange”). Its principal business activities are the exploration and development of resource properties. The Company has a 95% owned subsidiary in Argentina known as Latin American Minerals Argentina S.A. and a 100% owned subsidiary in Paraguay known as Latin American Minerals Paraguay S.A. and a 100% owned subsidiary in Colombia known as Latin American Minerals Colombia S.A.

The Company is in the process of exploring and developing its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. Certain conditions, described below, currently exist which cast doubt upon the validity of this assumption.

During the year ended December 31, 2007, the Company incurred a loss of \$5,704,264 (2006 - \$1,177,386) and at December 31, 2007, the Company has working capital of \$7,885,487 (2006 - \$2,703,676) and an accumulated deficit of \$7,269,400 (2006 - \$1,565,136). The Company has incurred losses since inception. The Company’s continuing operations are dependent upon the continued support of related parties and the ability of the Company to raise equity financing. Should the Company not be able to continue to operate as a going concern, adjustments might be necessary to the carrying values of assets and liabilities and the reported results from operations.

The recoverability of amounts shown as mineral properties and deferred charges is dependent upon the discovery of economically recoverable reserves, the Company’s ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of properties. These and other uncertainties could adversely affect the future carrying value of mineral properties and deferred charges.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflected the following significant accounting policies:

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company’s subsidiaries, Latin American Minerals Argentina S.A., Latin American Minerals Paraguay S.A., and Latin American Minerals Colombia S.A.

These subsidiaries earn no revenue and can only be sustained by receiving funds from the Company. In accordance, the Company uses the temporal method of foreign currency translation (Note 2k) to account for its integrated subsidiaries. All material intercompany transactions and balances have been eliminated.

b) Cash and Cash Equivalents

Cash consists of deposits in banks and term deposits with an original maturity of less than three months.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Reclamation and Closure Costs

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operations of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of that asset and the cost is amortized as an expense over the economic life of the related asset. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation. The present value of the reclamation liabilities may be subject to change based on management's current estimates, changes in remediation technology, or changes to the applicable laws and regulations by regulatory authorities, which affects the ultimate cost of remediation and reclamation.

As at December 31, 2007, the Company did not have any asset retirement obligations.

d) 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 represents 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 mineral property interests, 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.

e) Loss per Share

Loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is determined using the treasury method. All outstanding options and warrants are anti-dilutive, and therefore have no effect on determination of loss per share.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial Instruments

The Company's financial instruments consist of receivables, prepaid expenses, payables, and amount due to related parties. 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 values of these financial instruments approximate their carrying values, unless otherwise noted.

g) Use of Estimates and Measurement Uncertainty

Estimates by management represent an integral component of financial statements prepared in conformity with Canadian generally accepted accounting principles. The estimates made in these financial statements reflect management's judgement based on past experiences, present conditions, and expectation of future events. Where estimates were made, the reported amounts for assets, liabilities, revenues and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future events were known at the time these financial statements were prepared. Significant estimates include the recoverability of mineral properties and deferred charges, the physical and economic lives of equipment, and the variables in calculating the fair value of stock based compensation.

h) Income Taxes

Income taxes are calculated using the liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheets are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect of a change in a tax rate is recognized in income in the period that includes the date of enactment or substantive enactment. The recognition of future benefits is limited to the extent that the realization of such benefits is more likely than not.

i) Long-Lived Assets Impairment

Long-lived assets of the Company are reviewed when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the future projected cash flows from related operations (undiscounted and without interest charges). If impairment is deemed to exist, the assets will be written down to their fair value.

j) Stock-Based Compensation

The Company has an incentive stock option plan. The Company has adopted the recommendation of CICA Handbook Section 3870 – "Stock Based Compensation and Other Stock Based Payments" to account for stock based transactions with employees, directors, and outside consultants. Accordingly, the fair value of stock options is charged to operations as appropriate, with an offsetting credit to contributed surplus. The fair value of stock options which vest immediately is recorded at the date of grant; the fair value of options that vest in future is recognized on a graded basis over the vesting period. Any consideration received on exercise of stock options together with the related portion of contributed surplus is credited to share capital. The fair value of stock options is assessed using the Black Scholes Options Pricing Model.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Foreign Currency Translation

The Company uses the temporal method of foreign currency translation to account for its integrated subsidiaries. Balances denominated in foreign currencies are translated into Canadian dollar equivalents as follows:

- i. Monetary assets and liabilities at year-end rates
- ii. All other assets and liabilities at historical rates;
- iii. Revenue and expense transactions at the average rate of exchange prevailing during the year, except for amortization which is translated at historical rates.

Exchange gains or losses arising on these translations are charged to operations as incurred.

l) Field & Office Equipment

Field and office equipment are amortized on a straight line basis over the estimated useful life of the asset.

m) Comparative Figures

Certain comparative figures for the year ended December 31, 2006 have been reclassified to conform with the current year's presentation.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2007, the Company adopted the following new accounting principles:

- (a) CICA Handbook section 1530: Comprehensive Income which establishes standards for reporting comprehensive income defined as a change in value of net assets that is not due to owner activities;
- (b) CICA Handbook Section 3251: Equity which establishes standards for the presentation of equity and changes in equity;
- (c) CICA Handbook Section 3855: Financial Instruments – Recognition and Measurement which establishes standards for the recognition, classification and measurement of financial instruments; and
- (d) CICA Handbook Section 1506: Accounting Changes which establishes standards and new disclosure requirements for the reporting of changes in accounting policies and estimates and the reporting of error corrections.

The adoption of these new accounting pronouncements had no material effect on the unaudited interim consolidated financial statements for the year ended December 31, 2007.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The CICA has issued three new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. The Company will adopt the requirements commencing in the interim period ended March 31, 2008 and is considering the impact this will have on the Company's financial statements.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Section 1535 – Capital Disclosures

This Section establishes standards for disclosing information about a company's capital and how it is managed. Under this standard, the Company will be required to disclose the following, based on the information provided internally to the Company's key management personnel:

- (a) qualitative information about its objectives, policies and processes for managing capital;
- (b) summary quantitative data about what it manages as capital;
- (c) whether during the period it complied with externally imposed capital requirements to which it is subject; and
- (d) when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

Section 3862 & 3863 – Financial Instruments – Disclosures and Presentation

These new standards replace Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements, and carrying forward unchanged the presentation requirements. Section 3862 requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The Section requires specific disclosures to be made, including the criteria for:

- (a) designating financial assets and liabilities as held for trading;
- (b) designating financial assets as available-for-sale; and
- (c) determining when impairment is recorded against the related financial asset or when an allowance account is used.

Convergence with International Financial Reporting Standards (IFRS)

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being evolved and converged with International Financial Reporting Standards (IFRS) over a transitional period to be complete by 2011. The Company will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Canadian GAAP will be converged with IFRS through a combination of two methods: as current joint-convergence projects of the United States' Financial Accounting Standards Board and the International Accounting Standards Board are agreed upon, they will be adopted by Canada's Accounting Standards Board and may be introduced in Canada before the complete changeover to IFRS. Also the United States' Financial Accounting Standards Board and the International Accounting Standards Board have completed a joint-project on business combinations and non-controlling interests. As the International Accounting Standards Board currently, and expectedly, has projects underway that should result in new pronouncements that continue to evolve IFRS, and as this Canadian convergence initiative is in an early stage as of the date of these consolidated financial statements, it is premature to currently assess the impact of the Canadian initiative on the Company.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

4. MINERAL PROPERTIES

Summary of Exploration and Development Expenditures

A summary of resource properties and deferred exploration costs is as follows:

	December 31, 2006	Acquisition Cost	Deferred Exploration	Write-down of Mineral Properties	December 31, 2007
La Carolina (i)	\$ 153,464	\$ 141,074	\$ 1,251,868	\$ (1,546,406)	\$ -
Cerro Amarillo (ii)	227,956	126,899	10,193	(365,048)	-
Tendal La Rioja (iii)	-	307,235	838,481	-	1,145,716
Paso Yobai (iv)	-	385,027	1,986,352	-	2,371,379
La Esmeralda (v)	-	4,836	17,923	-	22,759
Other	-	37,169	54,027	(91,196)	-
	<u>\$ 381,420</u>	<u>\$ 1,002,240</u>	<u>\$ 4,158,844</u>	<u>\$ (2,002,650)</u>	<u>\$ 3,539,854</u>

(i) La Carolina

Pursuant to an agreement (the “La Carolina Agreement”) dated November 9, 2005 with Geocom Resources Inc. (“Geocom”), TNR Gold Corp. (“TNR”) and Compania Minera Solitario Argentina S.A. (“Solitario”), known collectively as the Optionors, the Company has the right to earn a 75% interest, subject to a 1% NSR, in the La Carolina Property located in the San Luis Province, Argentina.

Effective April 4, 2006, the La Carolina Agreement received Exchange approval to serve as the Company’s Qualifying Transaction for the purposes of the policies of the TSX-V. As a result, the Company’s classification on the TSX-V has been changed from a Capital Pool Company to a Tier 2 Mining Issuer.

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

- (a) making exploration expenditures on the La Carolina property totalling US \$1.0 million (CAD \$991,300) by the fifth anniversary date of exchange approval for the Qualifying Transaction, provided that a minimum exploration expenditure of US \$50,000 (CAD \$49,565) is made by the first anniversary of TSX-V approval; and
- (b) making cash payments totalling US \$125,000 (CAD \$123,913) and issuing 125,000 common shares of the Company (the “Shares”) as follows, each divided equally between Geocom and TNR:
 - i) US \$25,000 (paid) and 25,000 shares (issued) upon receipt of TSX-V approval;
 - ii) an additional US \$25,000 (paid) and 25,000 shares (issued) by the first anniversary of TSX-V approval;
 - iii) an additional US \$25,000 (CAD \$24,783) and 25,000 shares by the second anniversary of TSX-V approval;
 - iv) an additional US \$25,000 (CAD \$24,783) and 25,000 shares by the third anniversary of TSX-V approval; and
 - v) an additional US \$25,000 (CAD \$24,783) and 25,000 shares by the fourth anniversary of TSX-V approval.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

4. MINERAL PROPERTIES (continued)

Upon making US \$500,000 (CAD \$495,650) in total exploration expenditures and paying US \$62,500 (CAD \$61,956) in cash and issuing 62,500 shares (*Note 10*) to Geocom and TNR, the Company will have earned a 37.5% interest in the La Carolina Property. The 37.5% interest earned by the Company will be held by Solitario in trust for the benefit of the Company until such time as the full 75% interest is vested by the Company.

Notwithstanding the consideration set out above, upon full vesting of its 75% interest in the La Carolina Property, the Company will issue to the optionors an additional 100,000 shares divided equally between TNR and Geocom.

Upon satisfaction of the requirements set out in paragraphs (a) and (b) above, the Optionors and the Company have agreed to form a joint venture which shall provide for the Company 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. 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 Company with the option to purchase the 1% NSR at anytime for USD \$1.0 million.

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

After completing the exploration programme in 2007, the Company determined it was unwilling to expand its exploration to further delineate the resource found on the property. Although it was felt that the property could be further developed the Company wrote down the property to \$1 during the year.

Subsequent to the year-end, the Company determined to proceed to acquire the property (*Note 10b*).

(ii) Cerro Amarillo

Pursuant to an agreement dated April 19, 2006 with a local owner, the Company had the option to acquire a 100% interest in the Cerro Amarillo copper-gold porphyry project in the Mendoza Province of Argentina. The Company had the option, over a period of five years, to acquire the mineral concessions outright for \$1.7 million. To maintain title in the interim, on October 24, 2006, the Company paid \$22,600 and another payment of \$22,600 was made on November 19, 2006. A finder's fee of 45,000 common shares of the Company was paid in connection with the transaction.

The Company has not been able to obtain access to the property. Without access to the property, an evaluation of the economic potential of the property is not possible. As a result, the Company has completely written-off the property and has renounced title.

(iii) Tendal La Rioja

On January 31, 2007, the Company acquired a 100% interest in the Tendal zinc-silver property in La Rioja Province of Argentina for \$52,000 and 200,000 common shares of the Company. The property comprises four concessions covering 24,296 hectares. Subsequently, the Company acquired 2 more concessions with an additional 36 hectares and have made payments totalling US \$90,000 with an additional payment of US \$30,000 due on April 2, 2008 which was paid.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

4. MINERAL PROPERTIES (continued)

(iv) Paso Yobai

On February 21, 2007, the Company entered into two option agreements for 70% interests in two mining concessions. The Paso Yobai Project includes the Minera Guira mining concession for which the 70% interest can be earned by payments of US \$2.1 million (CAD \$2.08 million) over 3 years plus 100,000 shares of the company and by expending US \$500,000 (CAD \$495,650) during the first year. As at December 31, 2007, 50,375 shares had been issued. The payment schedule is as follows:

- i) US \$10,000 upon signing of the agreement (paid);
- ii) US \$190,000 when the agreement took effect on April 16, 2007 (paid);
- iii) US \$50,000 (CAD \$49,565) on April 16, 2008;
- iv) US \$350,000 (CAD \$346,955) on April 16, 2009;
- v) US \$350,000 (CAD \$346,955) on October 16, 2009; and
- vi) US \$1,150,000 (CAD \$1,139,995) on April 16, 2010.

The Minas Paraguay concession requires cash payments of US \$2.05 million over 3 years plus company shares valued at US \$50,000 and mining exploration expenditures of US \$750,000 over 2 years. Following is the payment schedule:

- i) US \$5,000 upon signing of the agreement (paid);
- ii) US \$45,000 when the agreement took effect on April 16, 2007 (paid);
- iii) US \$100,000 (CAD \$99,130) on April 16, 2008;
- iv) US \$350,000 (CAD \$346,955) on April 16, 2009;
- v) US \$350,000 (CAD \$346,955) on October 16, 2009; and
- vi) US \$1,150,000 (CAD \$1,139,995) on April 16, 2010.

(v) La Esmeralda

On October 29, 2007, the Company signed a heads of agreement to option a 100% interest in the 9,639 hectare Esmeralda gold project in the Pasto Department in Southern Colombia by expending US \$250,000 on exploration and making payments totaling US \$442,500 over 5 years. The agreement was finalized on February 18, 2008 and amended to payments of US \$457,500 as follows:

- i) US \$5,000 in 2007 (paid);
- ii) US \$10,000 on February 19, 2008 (paid);
- iii) US \$12,500 (CAD \$12,391) on August 19, 2008;
- iv) US \$15,000 (CAD \$14,870) on February 19, 2009;
- v) US \$15,000 (CAD \$14,870) on August 19, 2009;
- vi) US \$25,000 (CAD \$24,783) on February 19, 2010;
- vii) US \$25,000 (CAD \$24,783) on August 19, 2010;
- viii) US \$50,000 (CAD \$49,565) on February 19, 2011;
- ix) US \$50,000 (CAD \$49,565) on August 19, 2011; and
- x) US \$250,000 (CAD \$247,825) on February 19, 2012.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

5. FIELD AND OFFICE EQUIPMENT

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Field and Office Equipment	\$ 578,754	\$ 85,538	\$ 493,216	\$ 136,403

6. SHARE CAPITAL

	Number of Shares	Amount
Authorized:		
Unlimited common shares without par value		
Issued and fully paid:		
Balance as at December 31, 2005	13,870,000	\$ 813,991
Acquisition of mineral property - La Carolina	25,000	14,750
Finder's fee for mineral property - Cerro Amarillo	45,000	29,700
Private placements	15,869,000	4,111,000
Exercise of stock options	400,000	40,000
Warrants issued under private placements	-	(687,952)
Share issue costs	-	(742,889)
Balance as at December 31, 2006	30,209,000	\$ 3,578,600
Acquisition of mineral property – Tendal La Rioja	200,000	86,000
Acquisition of mineral property – La Carolina	25,000	17,500
Acquisition of mineral property – Paso Yobai	50,375	45,338
Exercise of stock options	700,000	111,131
Exercise of warrants	3,887,000	1,706,211
Private placement	12,000,000	12,000,000
Warrants issued under private placement	-	(2,303,030)
Share issue costs	-	(1,365,190)
Balance as at December 31, 2007	47,071,375	\$13,876,560

In February 2006, the Company completed a non-brokered private placement of 625,000 units at a price of \$0.48 per share for aggregate gross proceeds of \$300,000. Each unit will consist of one common share and one share purchase warrant. Each warrant 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 value of \$76,245 (\$0.12 per warrant) has been attributed to the warrants issued under this private placement based on the Black Scholes pricing model and has been credited to warrants within shareholders' equity.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

6. SHARE CAPITAL (continued)

In December 2006, the Company completed an underwritten private placement of 15,244,000 units at a price of \$0.25 per share for aggregate gross proceeds of \$3,811,000. Each unit will consist of one common share and one-half of one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share at a price of \$0.35 for a period of two years from the date of closing. As consideration for the underwritten portion of the private placement, the Company paid cash commission of \$247,600 and issued 64,000 common shares with 32,000 warrants to the underwriter. A value of \$611,707 (\$0.08 per warrant) has been attributed to the warrants issued under these private placement based on the Black Scholes pricing model and has been credited to warrants within shareholders' equity.

The share issuance costs consist of a \$30,000 finder's fee related to private placement in February 2006 and a \$263,600 broker commission related to private placement in December 2006. The fair value of the warrants was \$180,000. The remainder are legal fees amounting to \$269,289.

On May 31, 2007, the Company completed a brokered private placement and issued 12,000,000 units comprised of 12,000,000 common shares and 6,000,000 warrants to acquire one common share at a price of \$1.25 per share, for gross proceeds of \$12,000,000. The warrants are exercisable up to May 31, 2008. A value of \$2,303,030 (\$0.38 per warrant) has been attributed to the warrants based on the Black Scholes pricing model and has been credited to warrants within shareholders equity. As consideration for the underwritten private placement, the company paid a cash commission of \$912,190 and issued 720,000 warrants that are exercisable at a price of \$1.00 for 1 common share until May 31, 2008. A value of \$453,000 (\$0.69 per warrant) has been attributed to the warrants issued as commission using the Black Scholes pricing model and recorded as share issue costs.

(a) Escrow

At December 31, 2007, there are 4,554,000 shares of the Company subject to a TSX-V required escrow agreement (the "Escrow Agreement") that may not be transferred, assigned or otherwise dealt with until they are released from escrow. On each subsequent April and November 4, an additional 1,518,000 shares can be released from escrow.

(b) Incentive Stock Options

The following table summarizes information about stock options outstanding at December 31, 2007:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
100,000	100,000	\$0.66	April 12, 2011	3.30
590,000	590,000	\$0.25	October 18, 2011	3.80
977,500	244,375	\$0.40	January 5, 2012	4.02
125,000	62,500	\$0.91	May 4, 2012	4.34
1,875,000	937,500	\$1.20	June 5, 2012	4.43
150,000	37,500	\$0.81	July 25, 2012	4.57
3,817,500				4.20

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

6. SHARE CAPITAL (continued)

A summary of the changes in the Company's stock options during the year is set out below:

	Number of Shares	Weighted Average Exercise Price
Exercisable at December 31, 2006	1,340,000	\$ 0.31
Granted during the year	3,380,000	\$ 0.89
Forfeited during the year	(3,750)	\$ 0.93
Cancelled during the year	(198,750)	\$ 0.53
Exercised during the year	(700,000)	\$ 0.13
Exercisable at December 31, 2007	3,817,500	\$ 0.81
Issued but not vested	1,845,625	\$ 0.85
Total vested	1,971,875	\$ 0.77

On January 5, 2007, the Company issued 1,100,000 incentive stock options to directors and 95,000 incentive stock options to employees at an exercise price of \$0.40 per share. On May 1, 2007, the Company issued 125,000 incentive stock options to an officer of the Company at an exercise price of \$0.91. On June 4, 2007, the Company issued a further 1,805,000 incentive stock options to directors and officers and 105,000 incentive stock options to employees at an exercise price of \$1.20. On July 25, 2007, the Company issued 150,000 incentive stock options at \$0.81 to a director of the Company.

The fair value of these options amounts to \$2,290,000; the first set of options vest over 24 months in equal tranches commencing July 7, 2007; the second set of options commenced May 3, 2007 to be vested in 4 equal tranches over 18 months; the third set of options vest over 12 months in equal tranches commencing September 4, 2007 and the fourth set of options commenced July 25, 2007 to vest in 4 equal tranches over 24 months. The options are being expensed over their respective vesting periods and credited to contributed surplus within shareholders' equity. For the year ended December 31, 2007, \$1,552,941 was expensed and \$301,384 was charged to the costs of mineral properties. The weighted average fair value of the options granted is \$0.89 per option.

With the cancellation of stock options, \$27,487 (2006 - \$5,200) originally credited to contributed surplus has been transferred to share capital.

The fair value of options granted during the period had been estimated using the Black Scholes option-pricing model. Assumptions used are as follows: risk-free interest rate of 3.5% to 4%, dividend yield of 0%, volatility of 100% to 134%, and expected life of 3.25 years.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

6. SHARE CAPITAL (continued)

(c) Share Purchase Warrants

The following table summarizes information about share purchase warrants outstanding at December 31, 2007:

Number of Warrants	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
505,000	\$0.59	April 6, 2008	0.27 years
1,340,200	\$0.25	May 21, 2008	0.39 years
720,000	\$1.00	May 31, 2008	0.42 years
6,000,000	\$1.25	May 31, 2008	0.42 years
177,800	\$0.25	June 2, 2008	0.43 years
8,743,000			0.41 years

A summary of the changes in share purchase warrants during the year is set out below:

	Warrants Outstanding	Weighted Average Exercise Price
Balance as at December 31, 2006	9,765,000	\$ 0.37
Issued during the year	6,720,000	\$ 1.22
Exercised during the year	(3,887,000)	\$ 0.35
Cancelled during the year	(3,855,000)	\$ 0.35
Balance as at December 31, 2007	8,743,000	\$ 1.02

The fair values of warrants issued during the year have been estimated using the Black Scholes option-pricing model. Assumptions used are as follows: risk-free interest rate of 4%, dividend yield of 0%, volatility of 134%, and expected life of 1 year.

The fair value of these warrants amounts to \$2,756,030 and has been credited to contributed surplus within shareholders' equity. The weighted average fair value of the warrants granted is \$0.41 per warrant.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

6. SHARE CAPITAL (continued)

(d) Contributed Surplus

A summary of the changes in contributed surplus is set out below:

Balance as at December 31, 2006	\$ 1,156,752
Contributions from the options expensed	1,552,941
Contributions from options capitalized to resource properties	301,384
Contributions from the issuance of warrants	2,756,030
Transfer of fair value of stock options/warrants to share capital upon exercise	(335,592)
Balance as at December 31, 2007	<u>\$ 5,431,515</u>

7. INCOME TAXES:

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

	2007	2006
Loss before income taxes (recovery)	\$ (5,704,000)	\$ (1,177,000)
Income tax rate	<u>36.12%</u>	<u>34.12%</u>
Income taxes (recovery)	\$ (2,059,000)	\$ (401,000)
Permanent differences	437,000	103,000
Tax rate changes	226,000	61,000
Tax rate differences	29,000	-
Change in valuation allowance	1,354,000	-
Miscellaneous	13,000	237,000
Total income taxes (recovery)	<u>\$ -</u>	<u>\$ -</u>

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

	2007	2006
Non-capital losses	\$ 1,066,000	\$ 411,000
Mineral properties	533,000	42,000
Fixed assets	2,000	-
Share issue costs	310,000	-
Other	52,000	156,000
Less: valuation allowance	(1,963,000)	(609,000)
Future income tax asset (liability)	<u>\$ -</u>	<u>\$ -</u>

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

7. INCOME TAXES (continued)

The Company has available for deduction against future taxable income non-capital losses of \$3,216,000. 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	\$ 135,000
2015	303,000
2026	797,000
2027	<u>1,981,000</u>
Total	<u>\$3,216,000</u>

For Latin American Minerals Argentina S. A, the expiration of non-capital losses will occur as follows:

Year	Amount
2011	\$ 90,000
2012	<u>290,000</u>
Total	<u>\$ 380,000</u>

There are no non-capital losses for Latin American Minerals Paraguay S.A.

8. RELATED PARTY TRANSACTIONS

During the year, the Company incurred the following related party transactions:

- (a) \$225,000 (2006 - \$85,001) in consulting and contract related fees pursuant to a services contract paid to Southampton & Associates, a firm controlled by the CEO of the Company. At December 31, 2007, \$75,000 (2006 - \$27,000) was included in due to related parties.
- (b) \$35,000 (\$2006 - \$30,000) in management fees to former directors of the Company.
- (c) \$28,000 (2006 - \$35,000) in director fees to directors of the Company. At December 31, 2007, a total of \$5,500 (2006 - \$30,000) remained unpaid and was included in due to related parties.
- (d) \$421,299 (2006 - \$272,515) in legal fees to a law firm, Gowling Lafleur Henderson LLP, of which a partner is a director of the Company. At December 31, 2007, a total of \$11,916 (2006 - \$218,825) remained unpaid and was included in due to related parties.
- (e) \$9,215 (2006 - \$9,913) in accounting fees to an accounting firm, Hedden Chong, of which a partner was a director of the Company.
- (f) \$111,395 (2006 - \$35,534) to a director and Senior VP of the Company pursuant to a service contract. At December 31, 2007, \$77,808 (2006 - \$35,534) was included in due to related parties.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

- (g) \$132,690 (2006 – nil) in contract fees pursuant to a service contract paid to the CFO of the Company. At December 31, 2007, \$15,000 (2006 – nil) was included in due to related parties.
- (h) The Company has advanced a director of the Company \$139,831 (2006 – nil) as funds required to acquire shares of a subsidiary required by the domestic government to be held by a national.

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.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transaction for the year was the Company incurring \$148,837 (\$44,450 in 2006) in mineral property acquisition costs through the issuance of common shares.

10. SUBSEQUENT EVENTS

- (a) On January 21, 2008 the Company granted incentive options to directors and officers of the Company totalling 738,500 shares and to employees totalling 110,000 shares, respectively. The options vest in 4 equal tranches on each of April 21, 2008, July 21, 2008, October 21, 2008, and January 29, 2009. The options are exercisable for up to 5 years at a price of \$0.65.
- (b) Subsequent to the year end, all the cash (US \$75,000) was paid and all the required shares (175,000 shares) were issued to complete the acquisition of the 75% interest in the La Carolina property Note 4(i)