

LATIN AMERICAN MINERALS INC.

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

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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, 2008 and 2007, 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, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with Canadian generally accepted accounting principles.

Toronto, Canada,
April 6, 2009.

Ernst + Young LLP
Chartered Accountants
Licensed Public 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)	2008	2007
ASSETS		
Current		
Cash and cash equivalents	\$ 3,992,332	\$ 7,923,701
Accounts receivable	25,524	517,734
Prepaid expenses	<u>184,220</u>	<u>174,259</u>
	4,202,076	8,615,694
Field & Office Equipment (Note 6)	591,896	493,216
Mineral Properties (Note 5)	<u>5,484,786</u>	<u>3,539,854</u>
	<u>\$ 10,278,758</u>	<u>\$ 12,648,764</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 322,126	\$ 424,865
Due to related parties (Note 9)	<u>15,112</u>	<u>185,224</u>
	<u>337,238</u>	<u>610,089</u>
Shareholders' Equity		
Share capital (Note 7)	17,292,920	13,876,560
Contributed surplus (Note 7)	7,195,604	5,431,515
Deficit	<u>(14,547,004)</u>	<u>(7,269,400)</u>
	<u>9,941,520</u>	<u>12,038,675</u>
	<u>\$ 10,278,758</u>	<u>\$ 12,648,764</u>

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

	2008	2007
EXPENSES		
Administrative expenses <i>(Note 9b and 9c)</i>	1,188,963	684,947
Amortization and depreciation	251,873	85,539
Consulting fees <i>(Note 9a, 9f and 9g)</i>	515,301	594,962
Professional fees <i>(Note 9d and 9e)</i>	512,458	725,867
Salaries and staff costs	313,137	197,174
Stock based compensation <i>(Note 7)</i>	<u>817,294</u>	<u>1,552,941</u>
	<u>3,599,026</u>	<u>3,841,430</u>
OTHER ITEMS		
Interest income	(124,313)	(224,930)
Foreign exchange (gain) loss	(185,338)	85,114
Loss on disposal of fixed assets	11,388	-
Write down of mineral properties <i>(Note 5)</i>	<u>3,976,841</u>	<u>2,002,650</u>
	<u>3,678,578</u>	<u>1,862,834</u>
Net loss and comprehensive loss	7,277,604	5,704,264
Deficit, beginning of the year	<u>7,269,400</u>	<u>1,565,136</u>
Deficit, end of the year	<u>\$14,547,004</u>	<u>\$ 7,269,400</u>
Loss per share (basic and diluted)	\$ 0.14	\$ 0.15
Weighted average number of shares outstanding	53,256,728	38,778,367

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

	2008	2007
OPERATIONS:		
Net loss for the year	\$ (7,277,604)	\$ (5,704,264)
Adjust for non-cash items:		
Amortization and depreciation	251,873	85,539
Write down of mineral properties	3,976,841	2,002,650
Loss on disposal of fixed assets	11,388	-
Stock based compensation	817,294	1,552,941
Foreign exchange loss (gain)	<u>(185,338)</u>	<u>85,114</u>
	(2,405,546)	(1,978,020)
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	492,210	(251,120)
Increase in prepaid expenses	(9,961)	(173,868)
Increase (decrease) in accounts payable and accrued liabilities	(102,739)	243,035
Decrease in due to related parties	<u>(170,112)</u>	<u>(156,135)</u>
	<u>(2,196,148)</u>	<u>(2,316,108)</u>
FINANCING:		
Proceeds from the issuance of share units	4,013,400	12,000,000
Share issuance costs incurred	(386,128)	(912,190)
Exercise of stock options and warrants	<u>388,350</u>	<u>1,481,750</u>
	<u>4,015,622</u>	<u>12,569,560</u>
INVESTING:		
Acquisition of equipment	(350,553)	(442,351)
Acquisition of mineral properties	(687,624)	(853,402)
Deferred exploration and development costs	<u>(4,886,715)</u>	<u>(3,857,460)</u>
	<u>(5,924,892)</u>	<u>(5,153,213)</u>
Effect of exchange rate change on cash and cash equivalents	<u>174,049</u>	<u>(116,684)</u>
Increase (decrease) in cash and cash equivalents during the year	(3,931,369)	4,983,555
Cash and cash equivalents, beginning of the year	<u>7,923,701</u>	<u>2,940,146</u>
Cash and cash equivalents, end of the year	<u>\$ 3,992,332</u>	<u>\$ 7,923,701</u>
OTHER SUPPLEMENTARY INFORMATION		
Interest expense paid in cash	\$ -	\$ -
Income taxes paid in cash	-	-

Refer to Note 10 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, 2008 and 2007

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”). The Company operates in one industry segment, its principal business activities are the exploration and development of resource properties. The Company has a 100% owned subsidiary in Argentina known as Latin American Minerals Argentina S.A., 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.

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. The outcome of these matters cannot be predicted at this time. 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 and all of its 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 with an original maturity of less than three months.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
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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, 2008, 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

Basic loss per share amounts are calculated by dividing net loss available to common share holders by the weighted average number of common 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)
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial Instruments

Financial instruments are measured at their fair values on initial recognition. After initial recognition, financial instruments are measured at the fair values, except for financial assets classified as held-to-maturity or loans and receivables and other financial liabilities, which are measured at cost or amortized cost using the effective interest rate method. The Company has made the following classification:

- Cash and cash equivalents are classified as held for trading and are measured at fair value. Gains and losses resulting from the period revaluation are recorded in net income.
- Account receivables are classified as loans and receivables and are recorded at amortized cost, which upon their initial measurement is equal to their fair values. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Transaction costs are expensed as incurred for financial instruments classified or designated as held for trading. Transaction costs for financial assets classified as available for sale are added to the value of the instruments at acquisition. Transaction costs related to other financial liabilities are added to the value of the instrument at acquisition and taken into net income using the effective interest rate method.

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 events or circumstances indicate that their carrying value may not be recoverable. Management considers assets to be impaired if the carrying value exceeds the future projected undiscounted cash flows from related operations. If impairment is deemed to exist, the assets will be written down to their fair value.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Stock-Based Compensation

The Company has an incentive stock option plan. The fair value method of accounting for stock options is used. The fair value of option grants are calculated using the Black Scholes option pricing model and 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 the 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.

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. Estimated useful lives range from three to five years.

m) Comparative Figures

Certain comparative figures for the year ended December 31, 2007 have been reclassified to conform with the current year's presentation.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the Company adopted the following new accounting principles:

- (a) CICA Handbook section 1535 - Capital Disclosures - specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The Company's objectives when managing capital are:

- i. To maintain and safeguard its accumulated capital in order to provide an adequate return shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other opportunities
- ii. To obtain necessary financing to complete exploration and development of its properties or form corporate allegiances with other organizations with sufficient capital to accomplish the objective.

LATIN AMERICAN MINERALS INC.
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3. CHANGES IN ACCOUNTING POLICIES (continued)

- iii. To maintain cash in highly liquid bank instruments to minimize risk and loss of capital.
- (b) CICA Handbook Sections 3862 Financial Instruments – Disclosures; and Handbook, and 3863 Financial Instruments – Presentation. The new Sections 3862 and 3863 replace Handbook Section 3861 Financial Instruments — Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.
- (c) CICA Handbook Section 1400 - “General Standards of Financial Statement Presentation”, was amended to include the requirement to assess and disclose uncertainties about the Company’s ability to continue as a going concern. The main features of the changes are as follows:
 - i. Management is required to make an assessment of an entity’s ability to continue as a going concern;
 - ii. In making its assessment, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the balance sheet date;
 - iii. Financial statements must be prepared on a going concern basis unless management intends to liquidate the entity, to cease trading or cease operations, or has no realistic alternative but to do so;
 - iv. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern; and
 - v. When financial statements are not prepared on a going concern basis, that fact should be disclosed, together with the basis on which the financial statements are prepared and the reason the entity is not regarded as a going concern.

The new standard did not have an impact on the valuation or classification of amounts in the Corporation’s consolidated financial statements.

The adoption of these new accounting pronouncements had no material effect on the consolidated financial statements for the year ended December 31, 2008.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Goodwill and Other Intangible Assets and Financial Statement Concepts

In November 2007, the CICA issued amendments to Section 1000 “Financial Statement Concepts,” and AcG 11 “Enterprises in the Development Stage,” issued a new Handbook Section 3064 “Goodwill and Intangible Assets” (“Section 3064”), to replace Section 3062 “Goodwill and Other Intangible Assets”, withdrew Section 3450 “Research and Development Costs” and amended EIC 27 “Revenues and Expenditures During the Pre-operating Period” to not apply to entities that have adopted Section 3064. These amendments provide guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The amendments are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and therefore the Company will implement them in the first quarter of 2009, retroactively with restatement of the comparative periods for the current and prior year. The impact of implementing these amendments on the Company’s financial statements is currently being assessed.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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4. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, replacing Section 1581 of the same name. The new section will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Section 1582, which provides the Canadian equivalent to International Financial Reporting Standard 3, Business Combinations (January 2008), establishes standards for the accounting for a business combination. Section 1582 requires business acquisitions (including non-controlling interests and contingent consideration) to be measured at fair value on the acquisition date, generally requires acquisition-related costs to be expensed, requires gains from bargain purchases to be recorded in net earnings, and expands the definition of a business. As Section 1582 will apply only to future business combinations, it will not have a significant effect on the Company's consolidated financial statements prior to such acquisitions.

Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which together replace the existing Section 1600, Consolidated Financial Statements, and provide the Canadian equivalent to International Accounting Standard 27, Consolidated and Separate Financial Statements (January 2008). The new sections will be applicable to the Company on January 1, 2011. Section 1601 establishes standards for the preparation of consolidated financial statements, and Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is assessing the impact, if any, of the adoption of these new sections on its consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee ("EIC") concluded that an entity's own credit risk and the credit risk of the counterparty should be taken into accounting in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable retrospectively without restatements of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for period ending on or after the date of the issue of the Abstract (January 20, 2009). Retrospective application with restatement of prior periods is permitted but not required. Early adoption is encouraged. The application of incorporating credit risk into the fair value should result in entities re-measuring the financial assets and financial liabilities as at the beginning of the period of adoption with any resulting difference recorded in retained earnings except when derivatives in a fair value hedging relationship accounted for by the short cut method (difference is adjusted to the hedged item) and for derivatives in cash flow hedging relationship (differences are recorded in accumulated other comprehensive income). The Company is assessing the impact, if any, of the adoption of this new EIC on its consolidated financial statements.

International Financial Reporting Standards

The Accounting Standards Board (AcSB) has announced that Canadian publicly accountable enterprises will be required to adopt IFRS effective January 1, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

LATIN AMERICAN MINERALS INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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5. MINERAL PROPERTIES

Summary of Exploration and Development Expenditures

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

	December 31, 2007	Acquisition Cost	Deferred Exploration	Write-down of Mineral Properties	December 31, 2008
La Carolina (i)	\$ -	\$ 145,511	\$ 180,214	\$ (325,725)	\$ -
Tendal La Rioja (ii)	1,145,716	98,727	1,844,739	(3,089,181)	1
Paso Yobai (iii)	2,371,379	650,163	2,095,335	-	5,116,877
La Esmeralda (iv)	22,759	323	538,853	(561,935)	-
Itapoty (v)	-	9,538	120,281	-	129,819
Salares (vi)	-	32,422	205,667	-	238,089
	<u>\$ 3,539,854</u>	<u>\$ 936,684</u>	<u>\$ 4,985,089</u>	<u>\$ (3,976,841)</u>	<u>\$ 5,484,786</u>

	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)	\$ -
Tendal La Rioja (ii)	-	307,235	838,481	-	1,145,716
Paso Yobai (iii)	-	385,027	1,986,352	-	2,371,379
La Esmeralda (iv)	-	4,836	17,923	-	22,759
Other	227,956	164,068	64,220	(456,244)	-
	<u>\$ 381,420</u>	<u>\$ 1,002,240</u>	<u>\$ 4,158,844</u>	<u>\$ (2,002,650)</u>	<u>\$ 3,539,854</u>

Geographic Information

	Net book value	
	2008	2007
Paraguay	\$ 5,246,696	\$ 2,371,379
Argentina	238,090	1,145,716
Colombia	-	22,759
	<u>\$ 5,484,786</u>	<u>\$ 3,539,854</u>

(i) La Carolina

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 2007; subsequently the Optionors and the Company formed a joint venture which provided the Company a 75% participating interest and the Optionors a 25% participating interest.

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5. Mineral properties (continued)

The joint venture agreement provides the Company the option to purchase a 1% NSR at anytime for USD \$1.0 million. To complete acquisition of the property, 175,000 shares of the Company was issued during the year. (2007-25,000 shares).

The Company has optioned part of its interest to a third party; however mining has been banned in the province where the project is located and as a result no activity is ongoing or anticipated and as a consequence the project has been written down.

(ii) 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 on April 2, 2008. The Company has written this property down to \$1 as a consequence of the weak zinc markets and the decision to focus resources on the other active projects.

(iii) 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 \$2.5 million) over 3 years plus 100,000 shares of the company and by expending US \$500,000 (CAD \$609,000) during the first year. As at December 31, 2008, 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 on April 16, 2008 amended to 100,000 shares (paid)
- iv) US \$350,000 (CAD \$426,300) on April 16, 2009;
- v) US \$350,000 (CAD \$426,300) on October 16, 2009; and
- vi) US \$1,150,000 (CAD \$1,400,700) on April 16, 2010.

The Minas Paraguay concession requires cash payments of US \$2.05 million (CAD \$2.5 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 including subsequent amendments:

- 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 on April 18, 2008 amended to 114,149 shares (paid);
- iv) US \$350,000 (CAD \$426,300) on August 30, 2008 (paid);
- v) US \$350,000 (CAD \$426,300) on October 16 2009; and
- vi) US \$1,150,000 (CAD \$1,400,700) on April 16 2010.

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5. **Mineral properties (continued)**

(iv) **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 of Southern Colombia. After expending approximately \$562,000 on exploration it was determined the project was not economically viable and the option was allowed to lapse.

(v) **Itapoty**

The Company has staked and optioned 1650 square kilometres in Paraguay on which it has initiated diamond exploration

(vi) **Salares**

The Company has staked 93,000 hectares in the Cauchari Salt Lake region of Argentina.

6. FIELD AND OFFICE EQUIPMENT

	Cost	Accumulated Amortization	2008 Net Book Value
Field and Office Equipment	\$ 929,307	\$ 337,411	\$ 591,896

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

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7. SHARE CAPITAL

	Number of shares	Amount
Authorized:		
Unlimited common shares without par value		
Issued and fully paid:		
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	9,696,970
Share issue costs	-	(1,365,190)
Balance as at December 31, 2007	47,071,375	13,876,560
Acquisition of mineral property – La Carolina	175,000	99,750
Acquisition of mineral property – Paso Yobai	214,149	149,310
Exercise of warrants	1,533,000	570,180
Private placement	13,378,001	3,129,678
Share issue costs	-	(532,558)
Balance as at December 31, 2008	62,371,525	\$17,292,920

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 included in contributed surplus. 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, included in contributed surplus, as commission using the Black Scholes pricing model and recorded as share issue costs.

On August 19, 2008 the Company issued by private placement 13,378,001 capital units at a price of \$0.30 per unit for gross proceeds of \$4,013,400. Each unit is comprised of 1 common share and one-half of 1 common share purchase warrant exercisable at \$0.50 per common share until February 19, 2010. A value of \$883,721 (\$0.13 per warrant) has been attributed to the warrants based on the Black Scholes pricing model and has been included in contributed surplus. Share issue costs included underwriters cash commission of 5% (\$200,670) and 668,901 underwriters warrants valued at \$146,429, included in contributed surplus, exercisable until February 19, 2010 at \$0.30 per warrant.

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7. SHARE CAPITAL (continued)

(b) Escrow

At December 31, 2008, there are 1,518,000 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 which are eligible for release in April of 2009.

(c) Incentive Stock Options

The following table summarizes information about stock options outstanding at December 31, 2008:

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	2.30
590,000	590,000	\$0.25	October 18, 2011	2.80
965,000	725,625	\$0.40	January 5, 2012	3.01
125,000	125,000	\$0.91	May 4, 2012	3.34
1,670,000	1,670,000	\$1.20	June 5, 2012	3.43
150,000	150,000	\$0.81	July 25, 2012	3.57
796,000	598,875	\$0.65	January 22, 2012	4.06
1,602,500	400,625	\$0.15	September 22, 2013	4.73
5,998,500	4,360,125	\$0.73		3.71

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
Outstanding at December 31, 2006	1,340,000	\$ 0.31
Granted during the year	3,380,000	\$ 0.89
Exercised during the year	(700,000)	\$ 0.13
Expired and forfeited during the year	(202,500)	\$ 0.54
Outstanding at December 31, 2007	3,817,500	\$ 0.81
Granted during the year	2,518,500	\$ 0.32
Expired during the year	(337,500)	\$ 0.87
Outstanding at December 31, 2008	5,998,500	\$ 0.60
Issued but not vested	1,638,375	\$ 0.22
Total vested	4,360,125	\$ 0.73

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7. SHARE CAPITAL (continued)

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.

On January 21 2008 the Company issued 738,500 incentive stock options to directors and officers and 110,000 incentive stock options to employees at an exercise price of \$0.65. On September 23, 2008 the Company issued 1,030,000 incentive stock options to directors and officers and 640,000 incentive stock options to employees at an exercise price of \$0.15.

The fair value of these options amounts to \$3,027,897 (2007 - \$2,290,000); the first set of options vested over 24 months in four equal tranches ; the second set of options vested in 4 equal tranches over 18 months; the third set of options vested over 12 months in four equal tranches, the fourth fifth and sixth set of options vest in 4 equal tranches over 24 months from their respective dates of issue. The options are being expensed over their respective vesting periods and credited to contributed surplus within shareholders' equity. For the year ended December 31, 2008, \$817,294 (2007 - 1,552,941) was expensed and \$98,374 (2007 - \$301,384) was charged to the costs of mineral properties. The weighted average fair value of the options granted is \$0.60 per option (2007 - \$0.89 per option).

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 3.0% to 4% (2007 - 3.5% to 4%), dividend yield of 0% (2007 - 0%), volatility of 113% to 124% (2007 - 100% - 134%), and expected life of 5.0 years (2007 - 3.25 years).

(d) Share Purchase Warrants

The following table summarizes information about share purchase warrants outstanding at December 31, 2008:

Number of Warrants	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
6,689,001	\$0.50	February 19, 2010	1.1 years
668,901	\$0.30	February 19, 2010	1.1 years
7,357,902			1.1 years

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7. SHARE CAPITAL (continued)

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
Issued during the year	7,357,902	\$ 0.48
Exercised during the year	(1,533,000)	\$ 0.25
Cancelled during the year	(7,210,000)	\$ 1.18
Balance as at December 31, 2008	7,357,902	\$ 0.48

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 3.1% (2007 - 4%), dividend yield of 0% (2007 - 0%), volatility of 164% (2007 - 134%) and expected life of 18 months (2007 - 12 months).

The fair value of these warrants amounts to \$1,030,151 (2007 - \$2,756,030) and has been credited to contributed surplus within shareholders' equity. The weighted average fair value of the warrants granted is \$0.13 per warrant (2007 - \$0.41 per warrant).

(d) Contributed Surplus

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

Balance as at December 31, 2006	\$ 1,156,752
Stock based compensation	1,552,941
Options capitalized to resource properties	301,384
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	\$ 5,431,515
Stock based compensation	817,394
Options capitalized to resource properties	98,374
Issuance of warrants	1,030,151
Transfer of fair value of warrants to share capital upon exercise	(181,830)
Balance as at December 31, 2008	\$ 7,195,604

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8. INCOME TAXES:

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

	2008	2007
Loss before income taxes (recovery)	\$ (7,278,000)	\$ (5,704,000)
Income tax rate	<u>33.5%</u>	<u>36.12%</u>
Income taxes (recovery)	(2,438,000)	(2,059,000)
Permanent differences	326,000	437,000
Tax rate changes	91,000	226,000
Tax rate differences	25,000	29,000
Change in valuation allowance	1,877,000	1,354,000
Tax recoveries not benefitted	88,000	-
Miscellaneous	31,000	13,000
Total income taxes (recovery)	\$ -	\$ -

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

	2008	2007
Non-capital losses	\$ 1,726,000	\$ 1,066,000
Mineral properties	1,952,000	533,000
Fixed assets	15,000	2,000
Share issue costs	314,000	310,000
Other	34,000	52,000
Less: valuation allowance	(4,041,000)	(1,963,000)
Future income tax asset	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses of \$5,248,000. 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	1,893,000
2028	<u>2,120,000</u>
Total	<u>\$5,248,000</u>

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8. INCOME TAXES (continued)

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

Year	Amount
2011	\$ 90,000
2012	290,000
2013	<u>203,000</u>
Total	<u>\$ 583,000</u>

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

9. RELATED PARTY TRANSACTIONS

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

- (a) \$166,492 (2007-\$225,000) in consulting and 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 was included in due to related parties.
- (b) Nil (2007 - \$35,000) in management fees to former directors of the Company.
- (c) \$96,300 (2007 - \$28,000) in director fees to directors of the Company. At December 31, 2007, a total of \$5,500 remained unpaid and was included in due to related parties.
- (d) \$308,387 (2007- \$421,299) in legal fees to a law firm, Gowling Lafleur Henderson LLP, of which a partner is a director of the Company. At December 31, 2008, a total of \$15,112 (2007 - \$11,916) remained unpaid and was included in due to related parties and paid subsequent to the year-end.
- (e) \$9,215 in 2007 in accounting fees to an accounting firm, Hedden Chong, of which a partner was a director of the Company.
- (f) \$147,427 (2007 - \$111,395) to a director and Senior VP of the Company pursuant to a service contract. At December 31 2007, \$77,808 was included in due to related parties
- (g) \$121,500 (2007- \$132,690) in contract fees pursuant to a service contract paid to the CFO of the Company. At December 31, 2007, \$15,000 was included in due to related parties.

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.

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10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The consolidated statements of cash flows exclude the following non-cash transactions:

	2008	2007
Shares issued for acquisition of mineral properties	\$ 249,060	\$ 148,838
Warrants issued for share issue costs	146,429	453,000
Stock options issued for interest in mineral properties	98,374	301,384

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and executes the hedging of financial risks.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The company is primarily operates in Argentina and Paraguay. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency. The Company's risk management policy is to review its exposure to non-Canadian dollar forecast operating costs on a case by case basis. The majority of the Company's forecast operating cost is in Paraguayan Guaranis and Canadian dollars. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Company's foreign currency denominated monetary assets and liabilities at the year end is as follows: (000's)

	Assets	Liabilities
	\$	\$
Argentinean Pesos	104	123
Paraguayan Guarani	51	20
United States Dollars	1,038	3
	1,193	146

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11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(ii) Sensitivity

Based on the financial instruments held at December 31, 2008, had the Canadian Dollar weakened/strengthened by 5% against these foreign currencies with all other variables held constant, the Company's post-tax loss for the year would have been \$52,000 higher/lower as a result of foreign exchange gains/losses on translation of non-Canadian dollar denominated financial instruments as detailed above. Equity would have been \$52,000 higher/lower had the Canadian Dollar weakened/strengthened by 5% as a result of foreign exchange gains/losses on translation of non-Canadian dollar denominated financial instruments.

(iii) Cash flow fair value interest rate risk

The Company does not have significant variable interest-bearing borrowings for which general rate fluctuations apply. The Company is exposed to interest rate risk to the extent of the funds invested in the Company's bank accounts.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to outstanding receivables.

It is management's opinion that the Company is not exposed to significant credit risks arising from these financial instruments.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows.

As at December 31, 2008, the Company had net working capital of \$3,864,838 and anticipates this is sufficient to provide 12 months of planned activity when augmented with anticipated other prospective cash sources.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value less impairment provision of accounts receivables and payables are assumed to approximate their fair values due to their short-term nature.