



LATIN AMERICAN
MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended
December 31, 2010

INTRODUCTION

The following discussion of performance and financial condition should be read in conjunction with the audited financial statements of Latin American Minerals Inc. (the "Company" or "Corporation") for the Three Months and Year Ended December 31, 2010 (the "Financial Statements"). The Company's financial statements are prepared in accordance with Canadian GAAP. The Company's reporting currency is Canadian dollars. The date of this Management's Discussion and Analysis is April 28, 2011.

DESCRIPTION OF BUSINESS

The Company was incorporated under the Canada Business Corporations Act on December 9, 2003. The Company was listed on the TSX Venture Exchange (the "Exchange" or "TSX-V") on November 22, 2004 as a Capital Pool Company and subsequently became an active exploration company.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change except as required by applicable securities laws. Factors that could cause actual results to vary materially from results anticipated by such forward-looking statements include changes in market conditions and other risk factors discussed or referred to in this Management Discussion and Analysis. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Investors are cautioned against attributing undue certainty to

The results described herein are exploratory in nature and there can be no assurance that they are indicative of Mineral Resources as defined in accordance with National Instrument 43-101.

RISKS AND UNCERTAINTIES

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

Some of the possible risks include the following:

- (a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates. Currently, the Company's portfolio of exploration properties has exposure to predominantly gold, copper, zinc, silver,

diamond and lead. The prices of these commodities greatly affect the value of the Company and the potential value of its properties and investments.

This, in turn, greatly affects its ability to form joint ventures and the structure of any joint ventures formed. This is due, at least in part, to the underlying value of the Company's assets at different metals prices.

- (b) The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. Management has been successful in accessing the equity markets in the past, but there is no assurance that such sources will be available on acceptable terms in the future.
- (c) Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.
- (d) The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs. The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenses.
- (e) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to undertake its exploration and development activities in the future.
- (f) Exploration and development is considerably riskier and ownership interests are less secure in developing countries where the Company operates. Exploration is presently carried out in several countries, including Argentina, and Paraguay. Each of these countries exposes the Company to risks that may not otherwise be experienced if all operations were domestic. Political risks may adversely affect the Company's existing assets and operations. Real and perceived political risk in some countries may also affect the Company's ability to finance exploration programs and attract joint venture partners, and future mine development opportunities.
- (g) Business is transacted by the Company in a number of currencies. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. A significant portion of the Company's cash and cash equivalents has been held in U.S.

dollars. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

- (h) The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.
- (i) Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed or impugned. Although the Company has investigated its title to the mineral properties for which it holds concessions or mineral leases or licenses, there can be no assurance that the Company has valid title to such mineral properties or that its title thereto will not be challenged or impugned. For example, mineral properties sometimes contain claims or transfer histories that examiners cannot verify. The Company does not carry title insurance with respect to its mineral properties. A successful claim that the Company does not have title to a mineral property could cause the Company to lose its rights to mine that property, perhaps without compensation for its prior expenditures relating to the property.
- (j) Mineral exploration and exploitation involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of some properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining, or to upgrade existing infrastructure. There can be no assurance that the funds required to exploit any mineral reserves and resources discovered by the Company will be obtained on a timely basis or at all. The economics of exploiting mineral reserves and resources discovered by the Company are affected by many factors, many outside the control of the Company, including the cost of operations, variations in the grade of ore mined and metals recovered, price fluctuations in the metal markets, costs of processing equipment, and other factors such as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. There can be no assurance that the Company's mineral exploration and exploitation activities will be successful.
- (k) The Company's activities are subject to a wide variety of laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, protection of historic and archaeological sites, mine

development and protection of endangered and protected species and other matters. The Company is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities.

These permits relate to virtually every aspect of the Company's exploration and exploitation activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

- (1) Informal miners have been and continue to operate illegally on parts of the Paso Yobai property. From time to time it is not uncommon that there are some clashes between the informal miners, security staff and law enforcement personnel. Given the nature of the current and future operations, the presence of the informal miners may create a safety issue for both the illegal miners and Company personnel and may cause disruptions to operations from the risk of the informal miners encroaching or attempting to encroach onto other areas of Company's concessions. The Company has followed and continues to follow a strategy of containment. The Company does not directly confront currently operating small illegal miners on its concession, but in accordance with the laws of Paraguay, and in support of the local police, the Company does not allow encroachment onto new areas of its property. There is always a risk that from time to time confrontations from attempted encroachments may arise, resulting in violence and/or damage to the property. The Company monitors and documents the activities of the informal miners. The environmental liabilities attached to the property as a result of these informal miners are unknown.

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

MINERAL PROPERTIES

Description

General:

The Company is a mineral exploration company focused on the discovery, acquisition and development of potential mineral deposits in Latin America. Currently, the Company has active exploration projects in Paraguay and Argentina. The Paso Yobai gold project, the Itapoty diamond

project and the Chiriguelo niobium / rare earth element project are located in Paraguay, and are undergoing phased exploration steps. The Tendal lead-zinc-copper-silver project, located in Argentina, is being explored by Votorantim-Metals Argentina S. A. through a three-year option agreement signed in August 2010.

Paso Yobai Gold Project

The Paso Yobai Project is located south of the town of Paso Yobai in eastern Paraguay, approximately 150km east of the capital city of Asuncion. The project comprises two areas: the Minera Guairá concession (6700 hectares) and the two LAMPA (defined below) concessions (8965 hectares).

On October 14, 2010, the Company formally advised that it would exercise its option to acquire a 70% interest in the mining license held by Minera Guairá S.A. (Guairá). Approval for the property transfer was received from the Paraguayan government in December 2010. The transfer to the Company of the 70% interest in the Guairá Concession was signed on January 5, 2011.

Contiguous with Guairá, and located to the north and east, the LAMPA area (two concessions) is 100% owned by the Company through its subsidiary Latin American Minerals Paraguay S.A. ("LAMPA"). These concessions received technical approval from the Paraguayan Vice-Ministry of Mines and Energy, and at the close of 2010 were pending environmental permitting.

The mining concession held by Minas Paraguay S.A. (500 hectares), optioned by LAMPA in 2007, was terminated by the Company in October 2010 after consideration of property payments and disappointing exploration results.

At the close of 2010, the resulting total project area for the Paso Yobai properties totalled 15,665 hectares.

The Paso Yobai Project is the Company's most advanced exploration project, with the following work completed to date: 3,700 km airborne electromagnetic and magnetometer surveys; 15,122 soil samples; 812 line-km ground magnetometer surveys; 13 extensive mechanical trenches with 763 rock/rock-chip samples, and 6,705 metres of diamond drilling including 3,300 core samples.

Exploration highlights of the Paso Yobai project are presented in the following summary:

Paso Yobai - Discovery Trend Summary

The term Discovery Trend refers to an 8 km long geologic lineament traceable in geophysical and geological data. Of this extent, approximately 4.5 kilometers appears to exhibit continuous geological and geophysical expression, consistent with the mineralized bodies encountered to date. This highly prospective 4.5 km zone is almost completely situated with the Guaira Concession. Most of the Company's exploration work to date has concentrated in a 1200m length of this zone, which has been termed the Discovery Zone.

In 2007, the Company's initial sampling of six surface workings established by local miners returned assays from 1 to 108 gpt gold. Sampling widths ranged from 0.5 to 2 metres, limited by the narrow artisanal workings. The Company initiated the first diamond drilling program, which produced high-grade mineralization in hole DDH-LAT-11 within Guairá, intersecting 6.5 metres averaging 6.64 gpt of gold.

In 2008 the drill program was extended to exceed 3,000 drilled metres. Airborne geophysics and soil sampling showed the primary potential of the Discovery Trend is a continuous anomalous lineament, easily traced over approximately 4.5 km within Guairá.

A second drilling program in 2009, in conjunction with sampling in multiple large trenches, defined the 1,200 metre high-grade area containing the Discovery Zone. All of these 13 holes intersected gold-bearing host rock and wall-rock alteration associated with gold deposits. Gold was intersected in all holes, with values ranging from 100 ppb to 111.15 gpt Au over widths up to 3.8 metres. The most significant new hole was DDH-LAT-43, which intersected 1.27 metres averaging 45.30 gpt Au, 100m distance from the 2007 discovery hole DDH-LAT-11.

In 2008/2009, eleven large trenches extending to fifteen meters depth were excavated by the Company at 100 metre intervals through the 1,200 metre length section of the Discovery Zone. These machine-made excavations were designed to expose the gold-bearing zone within the saprolitic-rock layer for mapping and bulk sampling. The trenching exposed coarse visible gold in a new form, located within the brecciated sandstone that defines the contact zone between the mafic alkalic dike and the host sandstone, and which extends into the hanging-wall and footwall for up to 5 metres.

The trench results supported the interpretation of continuous mineralization along strike. Trench 1 ("T1"), reported 21.47 gpt Au over 0.5 metres. This zone continues with T2 reporting 61.38 gpt Au over 0.5 metres; 10.08 gpt Au over 0.5 metres in T3; 34.79 gpt Au over 0.6 metres in T4; 55.51 gpt Au over 1.0 metre in T5; 7.0 gpt Au over 0.7 metres in T6; and 18.48 gpt Au over 1.3 metres in T7. The continuous high grade zone is surrounded by one or possibly two lower grade shoots, which may extend mineral potential.

Discovery Zone trenches T8, T9 and T11 show lower though inconclusive results, as most of the gold-bearing zone within this shallow weathered layer has been exploited by artisan miners. Extending these trenches to greater depth is required to confirm gold mineralization below the level of the artisanal workings. Drilling results under these trenches returned 12.52 gpt Au over 6 metres, indicating that the gold mineralization does continue at depth.

Also in 2009, bulk-sample testing conducted with the Met-Solve metallurgical labs in Langley, British Columbia, Canada demonstrated that the typical gold recovery with small centrifugal concentrators was approximately 70%. By testing floatation methods, recoveries of approximately 90% were achieved.

Due to financial constraints, the intensity of the work programs was reduced in 2010, and much of the Paso Yobai field work focused on the adjacent Valientes Trend (discussed below). However, the Company purchased and installed a laboratory-scale scrubber, rod mill and Falcon L40 centrifugal

concentrator at the Guairá site to assist in the economic evaluation of the property, and to evaluate the optimal processing methods for the gold resource. As an initial phase, a program of small bulk sampling (50kg samples) was being conducted through the existing trenches of the Discovery Zone to verify and improve the assessment provided by the initial trench sampling program, and to re-test potential mineralized zones with hydrothermal alteration, which may have proved negative or negligible for gold mineralization in the initial sampling program. This program was on-going at the end of 2010.

Through 2010, the Company commissioned and analyzed alternative plant designs with SEPRO Systems of British Columbia. A 5 tonne per hour design was finalized at the end of the year. This small scale gold plant is intended to provide valuable technical and metallurgical information that would complement existing and future drill program data in the preparation of a 43-101 compliant resource study.

Based on the encouraging drill and trench results and the continuity of a 4.5 km trend of gold soil anomalies coincident with the prominent, continuous magnetic lineament produced by the diabase-dike host formation, management believes the Discovery Trend has excellent mineral potential and has quantified this potential by defining a potential mineral deposit at Paso Yobai:

The Company estimates the 1,200 metre long Discovery Zone, where exploration work has focused, may contain a Potential Mineral Deposit ranging from 450,000 to 900,000 tonnes with grades ranging from 4.0 to 7.0 gpt gold. By extension, the high grade soil trend and coincident magnetic target traced continuously over approximately 4.5 km length, and located predominantly within the Minera Guairá concession, could host a potential gold deposit ranging between 1,687,500 and 3,375,000 tonnes with similar grades. Evaluations of the continuity of mineralization below 100m depth, and along the outer reaches of the extended 8 km-long structural lineament, are required to determine a maximum limit on resource potential for this structure.

This assessment of the quantity and grade of the potential mineral deposit is conceptual in nature as the exploration and resource definition work is ongoing, and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

Paso Yobai - Valientes Trend Summary

On November 3, 2009 the Company reported finding a significant new gold soil-anomaly trend. On February 17, 2010 the Company announced that this trend had been delineated over 11 km, mainly located in the aforementioned LAMPA concessions. It features multiple large cluster targets with significant gold values.

The targets along this trend do not appear to be confined to linear-form mafic dikes, thus differing in configuration from the Discovery Trend. Airborne magnetic data suggests an abundance of mafic rock at depth though, which signifies that large formations of reactive host rock, receptive to high-grade gold deposition, are likely below these geochemical targets.

The Company continued to develop the new Valientes Trend in 2010 with two large trenches completed at its southern extent, new trenches underway at its northern extent, intensive soil sampling, ground magnetics, and deep auger-hole sampling grids.

Paso Yobai work plans for 2011 focus on the following:

- continue the development of the Discovery Trend by trenching and drilling along its little explored north-western extent;
- execute intensive drilling and commercial scale bulk-sampling in the core of the Discovery Zone, with the assistance of a new 5 tonne/hour plant, expected to be completed at Guairá in July 2011;
- continue intensive geological and geophysical work on the Valientes Trend in order to develop the targets for an initial drill program.

Itapoty Diamond Project

The Itapoty diamond property is located in Paraguay, approximately 120 km north of the Company's Paso Yobai Gold Project. Geologically, this area is part of the diamond rich Alto Paranaíba Igneous Province, extending south from Brazil. The property consists of a central, environmentally-permitted exploration concession and three outer exploration claims.

In 2008, the Company acquired an option on the central 5700 hectare Landsonne Concession. Taken to completion, this option permits the Company to acquire 100 % of the concession by 2013 paying in increments a total of USD 1.465M. Landsonne will retain a 3% gross production return royalty, though this royalty can be reduced to 1% for an additional payment of USD 3M. The remaining three concessions claimed in 2009 total 220,000 hectares. These are held by the Company either through Paraguayan subsidiaries or by contract with a third-party. These currently have technical approval from the Paraguayan Vice-Ministry of Mines and Energy, and are undergoing environmental permitting

Diamonds were initially found in the region by local prospectors panning for gold in the 1960s. Some years later, DeBeers collected 4 stream samples from the region, of which one contained 6 diamonds and all contained kimberlite indicator minerals ("KIMs").

In total, 299 stream sediment samples have been acquired in the region, producing 55 diamonds from 33 samples. This signifies that 11%, a very high percentage, of the samples contained diamonds. The diamonds recovered were found to be between 1 and 0.1 carats. 56 samples contained chromites and three G9/G10 garnets were found. Microprobe work has been completed on the chrome spinels showing they occur within the kimberlite stability field. The recovered diamonds are champagne to brilliant white, slightly abraded and several exhibit exceptional crystal structure suggesting minimal alluvial transport.

To further develop the central Landsonne property where more than 20 diamonds have been recovered, 695 line-km of ground magnetic surveys have been performed, approx. 75% completed in 2009 and 25% completed in 2010.

Negotiations to option this property began mid-2010.

Chiriguelo Niobium / Rare Earth Project, Paraguay

On April 14, 2010, the Company announced that it was initiating a search for rare earth exploration properties. Through this program, the company acquired a 100% interest in the Chiriguelo Project, located in northeastern Paraguay, approximately 500 km northeast of Asuncion. The property consists of a 25,500 hectare prospecting concession.

The Chiriguelo Carbonatite Complex represents a prime exploration target for Niobium and Rare Earth Elements (REEs). The primary niobium ore 'pyrochlore' has been found in abundance at Chiriguelo, both at surface and in historic drilling. Worldwide production of niobium is limited, with the main production occurring in Brazil at deposits geologically similar to Chiriguelo.

The Company has conducted initial surface sampling that verifies high niobium concentrations in an area measuring 600m x 150m within the central carbonatite body.

Abundant concentrations of Rare Earth Oxides have also been located at surface and in trenches at the Chiriguelo deposit. The Corporation's initial sampling of Rare Earth Oxides (REO) has demonstrated relatively high proportions of Lanthanum (32.8% of total REO), Cerium (47.3%), Praseodymium (4.4%), and Neodymium (11.9%). Samarium (1.12% of total REO), Europium (0.27%), Gadolinium (1.33%), Dysprosium (0.44%) and Erbium (0.28%) have also been encountered in the REO samples tested to date.

Work continues in 2011 with a property-wide evaluation in order to locate the most prospective drill targets.

Tendal Massive Sulphide (Zn-Cu-Pb-Ag) Property

Latin American Minerals holds a 100% interest in the six Tendal mineral concessions, comprising two land parcels totalling 36,488 hectares. The Tendal zinc, copper, lead and silver property is located in the province of La Rioja in northwestern Argentina and is accessible by all-season gravel road.

At Tendal, massive sulphides outcrop on surface in the Espinal Formation on surface for over 2 km extent, and in the Rio Bonete Formation with a smaller footprint on surface, extending 400m in length along two zones of 8m width.

Through late 2009 and early 2010, the Company was actively seeking a JV partner for this project, and actual project activity by the Company was limited to property maintenance. On August 31, 2010, the Company optioned this project to Votorantim-Metals Argentina S.A. for a three year period, extendable to six years. Details of the agreement stipulate a minimum exploration expenditure of USD 500,000 in the first year of the agreement and, in addition to the exploration expenditures, USD 50,000 annual cash payments to the Company during the JV period. The agreement also stipulates that Votorantim has an additional option to earn a 19% further interest in the property (thus 70% total) by solely funding development to the completion of the feasibility

study during another period of three years. Votorantim has 60 days from the exercise date of the initial option to elect this additional interest.

Exploration Expenditures

Paso Yobai Gold Project

	<u>2010</u>	<u>2009</u>
Deferred costs at beginning of year (\$000's)	7,370	5,116
Written off during year	(2,639)	-
Deferred costs incurred during year	<u>1,391</u>	<u>2,254</u>
Deferred costs end of year	<u>6,122</u>	<u>7,370</u>

Itapoti Diamond Project

Deferred costs at beginning of year (\$000's)	487	130
Deferred costs incurred during year	<u>67</u>	<u>357</u>
Deferred costs end of year	<u>554</u>	<u>487</u>

SIGNIFICANT EVENTS 2010

In August 2010, the Company signed an option agreement with Votorantim-Metais Argentina S.A. for the Tendal zinc, copper, lead and silver property.

In September 2010 the Company raised \$1,500,000 through a private placement and a new Chief Executive Officer and President, Miles Rideout, joined the Company.

In November 2010, the Company exercised its option for 70% of Minera Guairá S.A., which hold the mining license over part of Paso Yobai gold project.

In December 2010, the Company sold its shares of Lithium Americas Corp., realizing more than \$12,000,000.

RESULTS OF OPERATIONS-YEAR ENDED DECEMBER 31, 2010

The company recorded net income of \$4,740,000 for the year-ended December 31, 2010 compared to net income of \$880,000 for the previous year. The significant differences in revenues and expenses include (\$000's):

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Investment income	(9,910)	(1,810)	-
Gain on property sale	-	(1,665)	-
Property write-downs	2,640	-	3,977
Stock-based compensation	519	150	817
Warrant extension cost	610	-	-
Administrative costs	871	1,323	2,017
Foreign exchange loss	36	344	185

The loss for 2010 excluding the above items approximated \$494,000 and for 2009 the comparable loss was \$778,000. The comparable loss in 2008 was \$652,000. These numbers are similar in the context of mining exploration activity.

The cash position of the Company has increased significantly in 2010 as a consequence of the monetization of the investment in Lithium Americas Corp. Cash on hand at December 31, 2010 is \$13,729,000 compared to \$1,987,000 at December 31, 2009.

RESULTS OF OPERATIONS THREE MONTH PERIOD ENDED DECEMBER 31

The Company reported a fourth quarter profit of \$6,839,000 compared to a profit of \$1,363,000 in the previous year for a difference of \$5,475,000. The unusual revenue expense activities in the quarter were as follows \$(000's):

	<u>2010</u>	<u>2009</u>
Investment income	(9,920)	(1,810)
Property write-downs	1,461	-
Stock-based compensation	255	56
Warrant extension cost	610	-
Foreign exchange expense	40	(308)

The loss for the fourth quarter excluding the net impact of the above items approximated \$715,000 in 2010 compared to a loss of \$669,000 in the fourth quarter of 2009. These loss levels are comparable.

OTHER EXPENDITURE ACTIVITY

Capital expenditure activity in the year ended 2010 compared to 2009

	<u>2010</u>	<u>2009</u>
Fixed asset additions, net of disposals	\$ 88,456	\$ 25,826
Deferred exploration and developments costs	854,766	1,511,311
Property acquisition costs	<u>329,698</u>	<u>939,692</u>
Total capital expenditures	\$ <u>1,272,920</u>	\$ <u>2,476,829</u>

The capital expenditure levels in the year-ended 2010 were almost 50% lower than in 2009 as available funds to develop the properties were not available until late in the year when the company completed a private placement and monetized the investment asset in preparation for an expanded development programme for the Paso Yobai project and the initiation of work on the Chiriguelo project in 2011.

SELECTED QUARTERLY FINANCIAL DATA (\$000's)

	Dec 30	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
Financial results	2010	2010	2010	2010	2009	2009	2009	2009
Net income (loss) for the period	6,839	(1,261)	(410)	(428)	1,363	(425)	504	(562)
Basic & diluted income /(loss) per share	.09	(0.01)	(0.01)	(0.01)	0.01	(0.01)	(0.01)	(0.01)
Balance Sheet data:								
Cash	13,728	1,515	556	1,552	1,987	1,175	980	2,998
Investments	-	13,440	11,760	2,615	2,692	882	704	-
Mineral Properties	6,676	8,013	9,121	8,196	7,857	6,891	6,681	6,061
Total Assets	20,778	23,414	21,775	12,790	13,063	9,943	10,281	9,833
Shareholders' Equity	20,472	23,043	21,816	12,389	12,751	9,590	9,987	9,431

CAPITAL RESOURCES

As at April 28, 2011 the Company has cash resources \$10,200,000. The Company anticipates that these resources will be sufficient to complete the development of the Company's projects plans over the next 24 months. The priority project for the use of the funds is the continuation and expansion of the Paso Yobai Discovery and Valientes trend while exploring as well the potential of the Chiriguelo project.

LIQUIDITY

The Company manages capital based on project requirements being fundable from ongoing working capital and considering additional financings required to provide sufficient funds to maximise

investment within exploration and development activities. Such additional financings are contemplated within the context of minimizing share dilution.

The current funding of the Company, provided in 2010, was largely comprised of the funds from monetizing the investment in LAC, a departure from past financing activities as that source of funds was not previously available to the Company and such sources have not been identified at this time relative to future needs.

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

OUTSTANDING SHARE DATA	SHARES	\$
Balance December 31, 2009	74,500,751	18,587,227
Acquisition of mineral property-Paso Yobai	906,071	253,700
Exercise of options	1,097,182	398,990
Private placement	10,000,000	1,118,491
Share issue costs		(192,094)
Balance December 31, 2010 and April 8, 2011	86,504,004	20,166,314

The Company has warrants outstanding for 18,182,307 shares and options outstanding for 7,817,750 shares at April 28, 2011.

TRANSACTIONS WITH RELATED PARTIES

During the year the Company incurred the following related party transactions

- a) Director's fees of \$98,400.
- b) Legal fees of \$183,768 to a legal firm, Gowling Lafleur Henderson LLP, of which a director is a partner.
- c) \$62,217 in consulting fees and salary paid to a director and acting CEO of the Company pursuant to a service contract.
- d) \$34,553 fees paid to the new CEO pursuant to a service contract.
- e) \$76,000 in consulting fees paid to an officer of the Company pursuant to a service contract.

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.

COMMITMENTS

The Company has entered in to a contract to acquire equipment at a cost of \$675,000. As at April 28, 2011, \$506,250 has been paid with the balance due prior to shipping.

CRITICAL ACCOUNTING ESTIMATES

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

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

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

FINANCIAL AND OTHER INSTRUMENTS

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

CHANGES IN ACCOUNTING POLICIES

The Company implemented policies newly required by the CICA regarding the recording and measurement of financial assets and liabilities, reporting of comprehensive income and hedge accounting. The nature of the new policies is described in more detail in the financial statements and had no impact on financial reporting or results for the period.

OFF-BALANCE SHEET ARRANGEMENTS

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

Transition to International Reporting Standards ("IFRS")

The Corporation is in the last element of the transition project, focusing on opening balance sheet adjustments and financial statement presentation. The Corporation is in the process of quantifying the expected material differences between IFRS and the current accounting treatment under Canadian GAAP. Differences with respect to recognition, measurement, presentation and disclosure of financial information are discussed below.

IFRS 1 (First-time adoption of IFRS)

IFRS 1 requires that an entity apply IFRSs effective at the end of its first IFRS reporting period respectively. However, IFRS does provide certain mandatory exceptions and limited optional exemptions in specific areas of certain standards that will not require retroactive application of IFRS. The following are the exemptions and exceptions under IFRS 1 that are significant to the Corporation and that will be applied in preparing the first financial statements under IFRS.

Property, plant and equipment

Under IAS 16, Property, Plant and Equipment, an entity is required to choose to account for each class of property, plant and equipment, using either the cost model or the revaluation model. At date of transition, the Corporation has elected to use the depreciated historical cost to value all classes of property and equipment.

The Corporation does not expect an impact to opening shareholders' equity upon transition to IFRS.

Foreign Currency

Under IAS 21, The Effects of Changes in Exchange Rate ("IAS 21"), each entity must determine its functional currency of the primary economic environment in which the entity operates. This assessment is made by first evaluating primary indicators, which include: 1) currency which mainly influences sales prices; and 2) currency which mainly influences labour material and other costs. If these indicators are mixed, and the functional currency is not obvious, secondary indicators are evaluated to determine the functional currency.

Under Canadian GAAP, functional currency for a reporting entity is determined based on a number of criteria including: 1) currency which determines sales prices; 2) denomination of labour,

materials and other costs; and 3) funding of the entities operations. Historically, based on facts and circumstances the Corporation has determined its functional currency under Canadian GAAP to be the Canadian dollar.

Share based payments

IFRS 2, Share Based Payments, applies to situations where an entity grants shares or share options to employees or to other parties providing goods and services and requires these payments to be recognized as an expense in the entity's financial statements. The Corporation plans to not apply IFRS 2 to equity instruments granted on or before November 7, 2002, or granted after November 7, 2002, that vested before January 1, 2010. For equity instruments with a cash-settlement option the Corporation plans not to apply IFRS 2 to liabilities that were settled before January 1, 2010. The Corporation expects to reclassify amounts between opening retained earnings and contributed surplus, which are both within shareholders' equity.

IFRS to Canadian GAAP difference

In addition to the exemptions and exceptions discussed above, the following discussion explains the significant accounting policy differences between Canadian GAAP and IFRS that may result in material adjustments to the Corporation's consolidated financial statements.

Presentation of financial statements

Under IAS 1, Presentation of Financial Standards ("IAS 1"), a complete set of financial statements should include a statement of financial position, a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows, accounting policies, and explanatory notes. IAS 1 prescribes various formats and requirements for statement presentation and disclosure. The Corporation expects the adoption of IAS 1 to result in several changes to the format of the financial statements, in expanded note disclosure, and in different classification and presentation of line items in our consolidated statements of financial position and consolidated statements of income.

Impairment of assets

Under IAS 36, Impairment of Assets ("IAS 36"), an impairment loss is recognized if the recoverable amount, defined as the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. Value in use is defined as being equal to the present value of future cash flows expected to be derived from the asset in its current state. In the absence of an active market, fair value less costs to sell may also be determined using discounted cash flows. The use of discounted cash flows under IFRS to test and measure asset impairment differs from Canadian GAAP where undiscounted future cash flows are used to compare against the asset's carrying value to determine if impairment exists. This may result in more frequent write-downs in the carrying value of assets under IFRS. In addition, previous impairment losses may be reversed where circumstances change such that the impairment loss has reduced.

Property, plant and equipment

Consistent with Canadian GAAP, IAS 16, Property, Plant and Equipment ("IAS 16") requires separable components of property, plant and equipment to be recognized initially at cost. The detailed assessment showed that no changes to current component accounting are required under IFRS.

Under IAS 16, an entity is required to choose to account for each class of property, plant and equipment, using either the cost model or the revaluation model. The Corporation will account for each class of property, plant and equipment using the cost model.

IAS 16 also, provides specific guidance such that when an individual component of an item within property, plant and equipment is replaced and capitalized, the carrying value of the replaced component of the original asset must be derecognized even if the replacement part was not separately accounted for.

Mineral properties and deferred costs

IFRS permits the capitalization of exploration costs prior to the establishment of ore reserves which would support the economic viability of the project. The Corporation has in the past capitalized its project costs.

Under IFRS, Exploration and Evaluation ("E&E") of Mineral Resources an entity has two options: (1) retain existing CGAAP policy, which is the capitalization of exploration costs prior to the establishment of ore reserves which would support the economic viability of the project, where an entity adopting IFRS 6 may continue to use the accounting policies applied immediately before adopting the IFRS; or (2), adopt a new accounting policy.

Provisions, contingent liabilities and contingent assets

IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37") requires an entity to recognize a provision when a contract is determined to be onerous. A contract is onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Canadian GAAP only requires the recognition of such a liability in certain prescribed situations.

This difference could result in the recognition of a liability under IFRS that was not previously recognized under Canadian GAAP. Other measurement differences under IFRS could result in the earlier recognition of provisions or the recognition of a different amount than under Canadian GAAP.

IFRS also requires provisions for which payment extends beyond one year to be adjusted for time value of money.

Income taxes

Income taxes While IAS 12, Income Taxes ("IAS 12") is similar to the existing Canadian GAAP standard, any material adjustments to balances resulting from the adoption to IFRS would have a corresponding effect on future income tax balance. Under Canadian GAAP, an entity is required to present both current and long-term future income taxes on its balance sheet. Under IFRS, all future income taxes will be presented as long-term assets or liabilities.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal control over financial reporting for the Company. Based on an evaluation performed by management of the Company's disclosure controls for the period covered by this MD&A, management believes such controls are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner. While the Chief Executive Officer and Chief Financial Officer have designed the controls over financial reporting or caused it to be designed under their supervision, to provide reasonable assurance regarding reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, the Company does not employ sufficient staff to ensure complete segregation of duties. As a consequence, management relies heavily on the internal review of activities and transactions in summary by management to enhance the level of controls. The certifying officers have evaluated whether there were changes in controls over financial reporting that materially affected or were likely to materially affect the controls over financial reporting and have concluded there were none.

OTHER INFORMATION

Additional information about the Company is available on SEDAR at www.sedar.com.