

**LATIN AMERICAN MINERALS INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
*(An Exploration Stage Company)*

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009**  
**(Unaudited)**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

**Responsibility for Consolidated Financial Statements:**

The accompanying unaudited interim consolidated financial statements of Latin American Minerals Inc. ("LAT" or "the Company") as at and for the three and nine months ended September 30, 2010 and 2009 have been prepared by the Company's management in accordance with Canadian generally accepted accounting principles applicable to interim financial statements (see note 2 to the interim consolidated financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the interim consolidated financial statements, management is satisfied that these interim consolidated financial statements have been fairly presented.

**Auditors' involvement:**

The external auditors of the Company, have not audited or performed review procedures applicable to auditor review of interim financial statements as at and for the three and nine months ended September 30, 2010 and 2009.

LATIN AMERICAN MINERALS INC.  
*(An Exploration Stage Company)*  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT SEPTEMBER 30, 2010 AND DECEMBER 31, 2009**  
(Unaudited)

	Sept. 30 2010	Dec. 31 2009
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 1,515,019	\$ 1,987,234
Accounts receivable	19,848	124,124
Prepaid expenses	<u>65,752</u>	<u>107,635</u>
	<u>1,600,619</u>	<u>2,218,993</u>
<b>Investments, available for sale</b> <i>(Note 6)</i>	13,440,000	2,692,337
<b>Field &amp; Office Equipment</b> <i>(Note 8)</i>	269,852	294,938
<b>Mineral Properties</b> <i>(Note 7)</i>	<u>8,103,140</u>	<u>7,856,720</u>
	<u>\$23,413,611</u>	<u>\$13,062,988</u>

**LIABILITIES AND SHAREHOLDERS' DEFICIENCY**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 355,539	\$ 303,482
Due to related parties <i>(Note 11b)</i>	<u>14,857</u>	<u>8,728</u>
	<u>370,396</u>	<u>312,210</u>
<b>Shareholders' Equity</b>		
Share capital <i>(Notes 9&amp;14)</i>	19,858,816	18,587,227
Warrants <i>(Note 9b)</i>	2,035,603	1,530,696
Contributed surplus <i>(Notes 9c)</i>	6,428,817	6,299,573
Deficit	(14,265,471)	(13,666,818)
Accumulated other comprehensive income	<u>8,985,450</u>	<u>-</u>
	<u>23,043,215</u>	<u>12,750,778</u>
	<u>\$ 23,413,611</u>	<u>\$ 13,062,988</u>

**Nature of Operations and Going Concern** *(Note 1)*  
**Subsequent Events** *(Note 14)*

**On behalf of the Board:**

\_\_\_\_\_  
*"Ian C. Peres"* Director      \_\_\_\_\_  
*"Richard Boulay"* Director

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

**LATIN AMERICAN MINERALS INC.**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENT OF INCOME AND DEFICIT**  
(Expressed in Canadian Dollars)  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 and 2009**  
(Unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>Sept. 30</b>		<b>June 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>EXPENSES</b>				
Administrative expenses	\$ 49,284	\$ 93,385	\$ 321,475	\$ 531,272
Amortization	34,593	58,754	118,783	192,917
Consulting fees [Note 1 (a), 11 (d) and 11 (e)]	49,275	223,565	161,380	451,765
Professional fees [Note 11 (b)]	77,545	82,338	237,431	364,055
Salaries and benefits	38,832	15,701	94,712	136,958
Stock based compensation [Note 9 (a)]	<u>116,675</u>	<u>14,687</u>	<u>264,282</u>	<u>94,608</u>
	<u>367,204</u>	<u>488,430</u>	<u>1,198,061</u>	<u>1,771,574</u>
<b>OTHER ITEMS</b>				
Interest income	182	8,103	911	24,480
Equity gain (loss) in investment	-	-	(12,787)	-
Write-down of mineral property	(1,179,090)	-	(1,179,090)	-
Gain on sale of mineral properties	-	11,553	-	1,714,241
Gain (loss) on disposal of fixed assets	10,953	(72,887)	10,953	(72,887)
Foreign exchange gain (loss)	<u>(1,031)</u>	<u>116,771</u>	<u>4,421</u>	<u>(377,144)</u>
	<u>(1,168,986)</u>	<u>63,540</u>	<u>(1,175,592)</u>	<u>1,289,050</u>
Loss before income taxes	(1,536,190)	(424,890)	(2,373,653)	(482,525)
Tax recovery (note 10)	<u>275,000</u>	<u>-</u>	<u>1,775,000</u>	<u>-</u>
Net Loss	(1,261,190)	(424,890)	(598,653)	(482,525)
Deficit, beginning of the period	<u>13,004,281</u>	<u>14,604,639</u>	<u>13,666,818</u>	<u>14,547,004</u>
<b>DEFICIT, END OF THE PERIOD</b>	<u>14,265,471</u>	<u>15,029,259</u>	<u>14,265,471</u>	<u>15,029,529</u>
Loss per share {basic and diluted}	\$ (0.02)	\$ (0.01)	\$ (\$0.005)	\$ (0.01)
Weighted average number of shares outstanding	77,580,735	62,371,525	75,744,469	62,371,525

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

**LATIN AMERICAN MINERALS INC.***(An Exploration Stage Company)***CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 and 2009**

(Unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>Sept. 30</b>		<b>June 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Opening balance	\$ 7,580,450	\$ -	\$ -	\$ -
Fair value adjustments to available for sale financial instruments:				
Investments held for sale	1,680,000	-	10,760,450	-
Related income taxes on gain	<u>(275,000)</u>	<u>-</u>	<u>(1,775,000)</u>	<u>-</u>
Other comprehensive income for period	<u>1,405,000</u>	<u>-</u>	<u>\$8,985,450</u>	<u>\$ -</u>
Accumulated other comprehensive income	<u>\$ 8,985,450</u>	<u>\$ -</u>	<u>\$ 8,985,450</u>	<u>\$ -</u>

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

**LATIN AMERICAN MINERALS INC.**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 and 2009**  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	Sept. 30		Sept. 30	
	2010	2009	2010	2009
<b>OPERATIONS:</b>				
Net income (loss) for the period	\$ (1,261,190)	\$ (424,890)	\$ (598,653)	\$ (482,525)
Adjust for non-cash items:				
Amortization	34,593	58,754	118,783	192,917
Foreign exchange loss (gain)	-	(166,373)	-	(314,656)
Income taxes	(275,000)		(1,775,000)	
Gain on sale of mineral properties	-	-	-	(1,714,240)
Write-down of mineral property	1,179,090		1,179,090	
Gain on disposal of fixed assets	(10,953)	-	(10,953)	-
Equity (gain) loss on investment	-	-	12,787	-
Stock-based compensation	<u>116,674</u>	<u>14,687</u>	<u>264,282</u>	<u>94,608</u>
	(216,787)	(517,822)	(809,664)	(2,191,194)
Change in non-cash working capital:				
Decrease (increase) in accounts receivable	(9,028)	114,302	104,276	(126,486)
Decrease (increase) in promissory note receivable		600,000		(400,000)
Decrease in prepaid expenses	19,626	52,387	41,883	66,505
Increase (decrease) in accounts payable	(9,278)	(57,483)	52,057	(120,554)
Increase (decrease) in due to related parties	<u>(30,502)</u>	<u>117,287</u>	<u>6,129</u>	<u>136,144</u>
	<u>(246,419)</u>	<u>308,671</u>	<u>(605,319)</u>	<u>2,668,287</u>
<b>FINANCING</b>				
Proceeds from the issuance of share capital	1,500,000	-	1,500,000	-
Share issue costs	<u>(130,609)</u>	<u>-</u>	<u>(130,609)</u>	<u>-</u>
	<u>1,369,391</u>	<u>-</u>	<u>1,369,391</u>	<u>-</u>
<b>INVESTING:</b>				
Acquisition (disposal) of field and office equipment	(10,237)	96,686	(82,744)	74,576
Proceeds of sale of mineral properties				1,000,000
Acquisition (disposal) of mineral properties for cash	(7,354)	107,785	(321,680)	(6,612)
Deferred exploration and development costs	<u>(146,230)</u>	<u>(317,529)</u>	<u>(831,862)</u>	<u>(1,395,829)</u>
	<u>(163,820)</u>	<u>(113,058)</u>	<u>(1,236,285)</u>	<u>(1,094,807)</u>
Change in cash during the period	959,151	195,613	(472,215)	(2,816,970)
Cash, beginning of the period	<u>555,868</u>	<u>979,749</u>	<u>1,987,234</u>	<u>3,992,332</u>
Cash, end of the period	<u>\$ 1,515,019</u>	<u>\$ 1,175,362</u>	<u>\$ 1,515,019</u>	<u>\$ 1,175,362</u>

*Refer to Note 13 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 Company)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 and 2009**

(Unaudited)

**1. NATURE OF OPERATIONS AND GOING CONCERN**

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

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

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

During the nine months ended September 30, 2010, the Company incurred a net loss of \$598,653, (2009 - \$482,525) and at September 30, 2010, the Company had working capital of \$1,230,324, (December 31, 2009- \$1,906,783). The Company's management believes that the working capital on hand and the investments held for sale with a market value in excess of \$13,000,000 provide sufficient liquid assets for the Company to meet its fiscal requirements. The Company's continuing operations are dependent upon the continued support of related parties and the ability of the Company to raise equity financing. Should the Company not be able to continue to operate as a going concern, adjustments might be necessary to the carrying values of assets and liabilities and the reported results from operations.

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**a) Principles of Consolidation**

These consolidated financial statements include the accounts of the Company's subsidiaries, Latin American Minerals Argentina S.A., Latin American Minerals Paraguay S.A. These subsidiaries earn no revenue and can only be sustained by receiving funds from the Company. In accordance, the Company uses the temporal method of foreign currency translation (Note 2k) to account for its integrated subsidiaries. All material intercompany transactions and balances have been eliminated.

**b) Cash and Cash Equivalents**

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

**LATIN AMERICAN MINERALS INC.**

*(An Exploration Stage Company)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 and 2009**

(Unaudited)

**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 September 30, 2010, the Company did not have any asset retirement obligations.

**d) Mineral Properties**

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

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

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

**e) Loss per Share**

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

**LATIN AMERICAN MINERALS INC.**

*(An Exploration Stage Company)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 and 2009**

(Unaudited)

**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 their 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 classifications:

- 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 at net income.
- Accounts receivable 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.
- Investments are classified as available for sale and are initially measured at fair value.
- 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 instrument 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 rate method.

**g) Investments**

The Company follows the equity method of accounting for investments representing 20% to 50% ownership of companies invested in as the Company has the ability to exercise significant influence or control. Investments of less than 20% ownership are classified at cost if no market is available for the shares unless the Company has the ability to exercise control in which case the Company follows the equity method. Investments are written down to their fair market value only if other than a temporary decline in value has occurred. See above for investments available for sale.

**h) 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.

**LATIN AMERICAN MINERALS INC.**

*(An Exploration Stage Company)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 and 2009**

(Unaudited)

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

**i) 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.

**j) Long-Lived Assets Impairment**

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

**k) Stock-Based Compensation**

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

**l) 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.

**m) 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.

**LATIN AMERICAN MINERALS INC.**

*(An Exploration Stage Company)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 and 2009**

(Unaudited)

**3. RECENT ACCOUNTING PRONOUNCEMENTS**

**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, when they will be applicable, January 1, 2011.

**Convergence with International Financial Reporting Standards (IFRS)**

The Accounting Standards Board (AcSB) has announced that the 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 impact of the transition to IFRS cannot be reasonably estimated at this time.

To date the Company has determined significant additional note disclosure and some changes in accounting policy with respect to accounting for shareholders' equity will be necessary. Accounting policies requiring examination include accounting for mineral properties, non-cash compensation, warrant and option accounting.

**4. SEGMENTED INFORMATION**

Operating segments were identified on the basis of internal reporting reviews that are performed by the chief operating decision maker. Two segments were identified based on the geographical areas and the reporting structure. The accounting policies of the reportable segments are the same as the Company's accounting policies. The Company operates one business segment based in Canada and one operating segment based in Paraguay. Assets, liabilities and loss within each segment are as follows:

**LATIN AMERICAN MINERALS INC.***(An Exploration Stage Company)***NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 and 2009**

(Unaudited)

**4. SEGMENTED INFORMATION (continued)****As at and for the nine months ended September 30, 2010**

	<b>Paraguay</b>	<b>Argentina</b>	<b>Canada</b>	<b>Total</b>
Mineral properties	\$ 8,103,139	\$ 1	\$ -	\$ 8,103,140
Investments	-	-	13,440,000	13,440,000
Other	<u>349,566</u>	<u>81,975</u>	<u>1,438,930</u>	<u>1,870,471</u>
Total assets	<u>8,452,705</u>	<u>81,976</u>	<u>14,878,930</u>	<u>23,413,611</u>
Interest and other income	-	911	2,587	3,498
Write-down of mineral property	(1,179,090)	-	-	(1,179,090)
Net income (loss)	(1,386,248)	(95,364)	555,369	(598,653)

**As at December 31, 2009 and for the nine months Ended September 30, 2009**

	<b>Paraguay</b>	<b>Argentina</b>	<b>Canada</b>	<b>Total</b>
Mineral properties	\$ 7,856,719	\$ 1	\$ -	\$ 7,856,720
Investments	-	2,692,337	-	2,692,337
Other assets	<u>385,600</u>	<u>98,400</u>	<u>2,119,931</u>	<u>2,503,931</u>
Total assets	<u>8,341,319</u>	<u>2,790,738</u>	<u>2,119,931</u>	<u>13,062,988</u>
Interest and other income	-	435	24,045	24,480
Gain on sale of mineral properties	-	1,714,241	-	1,714,241
Net income (loss)	(311,655)	1,495,785	(1,666,655)	(482,525)

**5. CAPITAL MANAGEMENT**

The Company manages its capital with the objective of achieving its ongoing business objectives, including future growth and maximising shareholder return through enhancing share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the outlook of the business and the industry in general. The Company may manage its structure by issuing new shares, repurchasing outstanding shares, adjusting spending or disposing of assets. The capital structure is reviewed by management and the board on a regular basis.

**LATIN AMERICAN MINERALS INC.**

*(An Exploration Stage Company)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 and 2009**

(Unaudited)

**6. INVESTMENTS AVAILABLE FOR SALE**

The investments are comprised of 8,400,000 shares of Lithium Americas Corp. ("LAC") received in 2009 from the sale of the Salares-lithium/potash project . (See note 6). Up to the point in time the shares became listed on the TSX (symbol- LAC), the shares were valued at cost; subsequent to the date of the listing, the shares have been recorded at their market value. During the pre-listing period the Company recorded dilution of its interest as such occurred and the value was adjusted on the equity accounting basis to account for operating losses

These investments were designated as available for sale as they form the most significant capital source the Company has available for funding its principal activities.

LAC recently completed an IPO, listing on the TSX and the shares market value on September 30 was \$13,440,000.

PowerOne Capital Markets, which undertook the various financings required for the development of LAC, holds a right of first offer on the sale of the block of LAC shares held by the Company.

The following schedule sets out the changes in carrying value of 8,400,000 shares:

Investment in shares at cost	\$	882,000
Equity in losses from the date of acquisition to end of year		(591,921)
Dilution gains		<u>2,402,258</u>
Total investment December 31, 2009		2,692,337
Equity in losses for period		( 311,785)
Dilution gains		298,998
Unrealized gain on shares available for sale		<u>10,760,450</u>
Total investment September 30, 2010	\$	<u>13,440,000</u>

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**7. MINERAL PROPERTIES**

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

	31, 2009	Acquisition Cost	Deferred Exploration	Sept. 30, 2010
Paso Yobai (i)	\$ 7,369,689	\$ 571,926	\$ 805,778	\$ 8,747,394
Paso Yobai write-down		(1,179,090)		(1,179,090)
Itapoty (ii)	487,030	3,453	44,352	534,835
Tendal La Rioja (iii)	1	-	-	1
	<u>\$ 7,856,720</u>	<u>\$ (605,710)</u>	<u>\$ 850,130</u>	<u>\$ 8,103,140</u>

	Dec. 31 2008	Acquisition Cost	Deferred Exploration	Disposal	Balance Dec. 31, 2009
Paso Yobai (i)	\$ 5,116,877	\$ 1,104,628	\$ 1,148,184	\$ -	\$ 7,369,689
Itapoty (ii)	129,819	89,736	267,475	-	487,030
Tendal La Rioja (iii)	1	-	-	-	1
Salares (iv)	<u>238,089</u>	<u>15,803</u>	<u>104,606</u>	<u>(358,498)</u>	<u>-</u>
	<u>\$ 5,484,786</u>	<u>\$ 1,210,167</u>	<u>\$ 1,520,265</u>	<u>\$ (358,498)</u>	<u>\$ 7,856,720</u>

**(i) 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 Guaira mining concession for which the 70% interest can be earned by payments of US \$2.1 million (CAD \$2.08 million) over 3 years plus 100,000 shares of the company. (issued) and by expending US \$500,000 (CAD \$495,650) during the first year (spent). The amended outstanding payment remaining is \$US 1,261,085 (CAD \$1,297,656) due October 17, 2010.

The Minas Paraguay concession required cash payments of US \$1.9 over 3 years plus company shares valued at US \$50,000 (paid by issuing 50,375 shares) and mining exploration expenditures of US \$750,000 over 2 years. The amended outstanding remaining payment of \$900,000US ( \$921,600CAD) is due January 17, 2011. This payment was originally due April 11, 2010 for \$1,150,000; a payment of \$250,000US was satisfied by the issuance of 906,071 shares valued at \$253,700 and the balance was amended as above to be paid January 17, 2011.

**(ii) Itapoty**

The Company has staked and optioned 1650 square kilometres in Paraguay that it has initiated diamond exploration thereon.

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**7. MINERAL PROPERTIES (continued)****(iii) Tendal La Rioja**

On January 31, 2007, the Company acquired a 100% interest in the Tendal zinc-silver property in La Rioja Province of Argentina for \$52,000 and 200,000 common shares (valued at \$86,000) of the Company. The property comprises six concessions covering 24,332 hectares. The Company has written down the property to \$1 as a result of the weak zinc markets.

On September 7, 2010, the Company entered in to a Joint Venture agreement that granted VotorantimMetais Argentina S.A. the right to acquire a 51% interest in the property on condition the grantee spends \$500,000 on the property in the first year, and \$4,500,000US in total over 3 years plus a payment to the Company of \$50,000US in each of the three years.

**(iv) Salares**

On June 11, 2009, the Company sold its interest in the Salares property, a lithium-potash deposit in Argentina to Lithium Americas Corp. (TSX: LAC). The property was sold for consideration of \$1,000,000 and 8,400,000 shares of Lithium Americas Corp. These shares were valued at \$882,000 by the Company being the fair value of these shares at the date of sale.

**8. FIELD AND OFFICE EQUIPMENT**

	Cost	Accumulated Amortization	Sept. 30 2010 Net Book Value	December 31, 2009 Net Book Value
Field and Office Equipment	\$ 948,537	\$ 678,685	\$ 269,852	\$ 294,938

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**9. SHARE CAPITAL**

	Number of Shares	Amount
Authorized:		
Unlimited common shares without par value		
Issued and fully paid:		
Balance as at December 31, 2008	62,371,525	\$17,292,920
Acquisition of mineral property – Paso Yobai	1,287,976	270,475
Exercise of options	841,250	233,829
Private placement	10,000,000	1,075,268
Share issue costs	<u>-</u>	<u>(285,265)</u>
Balance as at December 31, 2009	<u>74,500,751</u>	<u>18,587,227</u>
Acquisition of mineral property-Paso Yobai	906,071	253,700
Private placement	10,000,000	1,209,983
Share issue costs	<u>-</u>	<u>( 192,094)</u>
Balance as at Sept. 30, 2010	<u>85,406,822</u>	<u>\$19,858,816</u>

On September 10, 2010 issued by private placement, 10,000,000 capital units comprised of 10,000,000 common shares and a ½ share purchase warrant. Each full warrant has an exercise price of \$0.20 to acquire a common share for a period of two years. A value of \$443,421 has been attributed to the warrants based on the Black Scholes option pricing model. The underwriters received a cash commission of \$90,906 and 693,306 finders warrants valued at \$61,485 exercisable until September 10, 2012 at \$0.20. If the shares of the Company close at a price higher than \$0.50 for a period of 20 consecutive days the Company can accelerate the expiry date of the warrants.

Assumptions used in valuing warrants are as follows: risk-free interest rate of 1.3%, dividend yield of 0%, volatility of 192%, and expected life of 2 years.

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**9. SHARE CAPITAL (continued)**

**(a) Incentive Stock Options**

The following table summarizes information about stock options outstanding at September 30, 2010:

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	0.55
390,000	390,000	\$0.25	October 18, 2011	1.05
650,000	650,000	\$0.40	January 5, 2012	1.27
125,000	125,000	\$0.91	May 4, 2012	1.59
1,185,000	1,185,000	\$1.20	June 5, 2012	1.68
150,000	150,000	\$0.81	July 25, 2012	1.82
554,000	554,000	\$0.65	January 21, 2013	2.32
767,500	767,500	\$0.15	September 22, 2013	2.98
902,150	733,750	\$0.22	June 1, 2014	4.03
150,000	112,500	\$0.25	November 17, 2014	4.13
2,279,182	569,794	\$0.18	June 1, 2015	4.67
1,000,000	-	\$0.14	September 15, 2015	4.96
8,314,432	5,368,794			330

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

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2008	5,998,500	\$ 0.60
Granted during the year	1,490,000	\$ 0.22
Exercised during year	(841,250)	\$ 0.15
Expired during the year	(1,383,250)	\$ 0.64
Outstanding at Dec. 31, 2009	5,264,000	\$ 0.55
Issued during period	3,329,182	\$ 0.20
Forfeited during period	(278,750)	\$ 0.73
Outstanding September 30, 2010	8,314,432	\$ 0.41

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**9. SHARE CAPITAL (continued)**

On October 9, 2009 the Company issued 910,000 incentive stock options to directors and officers and 160,000 incentive stock options to employees at an exercise price of \$0.22. On November 17, 2009 the Company issued 150,000 incentive stock options to a director at an exercise price of \$0.25 and on December 1, 2009 the Company issued 70,000 incentive stock options to a service provider at an exercise price of \$0.255. On June 1, 2010 the Company issued 2,329,182 incentive stock options to employees and directors at an exercise price of \$0.18. On September 15, 2010 a director and officer was granted 1,000,000 incentive stock options at an exercise price of \$0.14. The options were issued according to the terms of the employee stock option plan and vest in four tranches over a period of one year.

The options are being expensed over their respective vesting periods and credited to contributed surplus within shareholders' equity. For the period ended September 30, 2010, \$147,608, \$ (Sept. 30, 2009-\$76,862) was expensed and \$10,720, (September 30, 2009-\$3,023) was charged to the costs of mineral properties. The weighted average fair value of the options granted is \$0.16 per option, (2009-\$0.25)

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

**(b) Share Purchase Warrants**

The following table summarizes information about share purchase warrants outstanding at September 30, 2010:

Number of Warrants	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
6,689,001	\$0.50	February 19, 2011	.4 years
5,000,000	\$0.30	October 5, 2011	1.0 years
800,000	\$0.15	October 5, 2011	1.0 years
5,693,306	\$0.20	September 10, 2012	1.9 years
18,182,307			1.6 years

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

	Warrants Outstanding	Black Scholes Valuation	Weighted Average Exercise Price
Balance as at December 31, 2008	7,357,902	\$ 544,731	\$ 0.48
Issued during the year	5,800,000	985,965	\$ 0.28
Balance as at December 31, 2009	13,157,902	1,530,696	\$ 0.39
Expired during period	(668,901)	(102,243)	\$ 0.30
Issued during the period	5,693,306	504,906	\$ 0.20
Balance September 30, 2010	18,182,307	\$ 2,035,603	\$ 0.40

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**9. SHARE CAPITAL (continued)**

The fair values of warrants issued during the year have been estimated using the Black Scholes option-pricing model. The fair value of these warrants amounts to \$896,214. . The weighted average fair value of the warrants granted is \$0.11.

**(c) Contributed Surplus**

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

Balance as at December 31, 2008	\$ 7,195,604
Contributions from options expensed	185,722
Contributions from options capitalized to properties	8,954
Transfer of fair value of stock options/warrants to share capital upon exercise	(104,643)
<hr/>	
Balance December 31, 2009	6,299,573
Contributions from options capitalized to properties	18,267
Contributions from options expensed	264,282
<hr/>	
<u>Balance September 30, 2010</u>	<u>\$ 6,428,817</u>

**10. INCOME TAXES**

The Company has available for deduction against future taxable income non-capital losses of \$6,500,000. The expiration of these losses will occur as follows:

Year	Amount
2014	135,000
2015	303,000
2026	833,000
2027	1,869,000
2028	780,000
2029	2,090,000
2030	470,000

For Latin American Minerals Argentina S. A, the expiration of non-capital losses of \$4,400,000 are as follow:

Year	Amount
2011	90,000
2012	290,000
2013	203,000
2014	3,737,000
2015	80,000

Latin American Minerals Paraguay S. A. has no non-capital losses carried forward.

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**11. RELATED PARTY TRANSACTIONS**

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

- (a) \$76,600, (2009 - \$110,256) in director fees to directors of the Company.
- (b) \$131,138 (2009 - \$236,591) in legal fees to a law firm, Gowling Lafleur Henderson LLP, of which a partner is a director of the Company. At September 30, 2010, a total of \$14,857 (December 31, 2009 - \$8,728) remained unpaid and was included in due to related parties.
- (c) \$46,970, (2009 - \$103,000) to a director of the Company pursuant to a service contract.
- (d) \$54,000 (2009 - \$87,610) in contract fees pursuant to a service contract paid to the CFO of the Company.
- (e) \$5,145 in contract fees paid to the CEO of the Company
- (f) In 2009, \$220,627 in contract fees to a company of which the former CEO was a shareholder.

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.

**12. 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.

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**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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

	Assets \$	Liabilities \$
Argentinean Pesos	80	150
Paraguayan Guarani	71	115
United States Dollars	268	-
	419	265

*Sensitivity*

Based on the financial instruments held at September 30, 2010, 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 period would have been \$8,000 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 \$8,000 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.

*(ii) Interest rate risk*

The Company does not have significant variable interest-bearing borrowings for which general rate fluctuations apply.

**(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 periodically monitoring forecasted and actual cash flows.

As at September 30 2010, the Company had net working capital of \$1.230.324 and anticipates this is sufficient to fund 12 months of planned activity when augmented with anticipated other prospective cash sources including private placements of treasury shares and sales of a portion of investments held for sale.

**(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.

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**13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

The significant non-cash transaction for the period:

- shares issued for mineral properties-\$253,700 (2009-\$270,475)
- warrants issued as share issue costs-\$61,485 (2009-\$120,000)
- stock options issued charged to mineral properties-\$18,267 (2009-\$8,954)

**14. SUBSEQUENT EVENTS**

- a) On October 17, 2010 a payment of \$1,297,656 was made that increased the Company's interest in the Minera Guaira property to 70% [see note 6(i)].
- b) On November 17, 2010 a director exercised 1,097,182 share options for consideration of \$207,993 according to the grant terms as amended.
- c) On November 18, 2010 the Company granted to a director of the Company, stock options to acquire one million, one hundred thousand LAT common shares of the Company. The shares were issued under the terms of the Company's Employee Stock Option Plan and are exercisable at \$0.18 per share, with a term of five years and subject to the terms of the stock option plan.