

LATIN AMERICAN MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS
(An Exploration Stage Company)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

“These financial statements have been prepared by management and have not been reviewed by the Company’s auditor”

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

Nature of Operations and Going Concern *(Note 1)*

	June 30 2010	December 31 2009
ASSETS		
Current		
Cash and cash equivalents	\$ 555,867	\$ 1,987,234
Accounts receivable	10,820	124,124
Prepaid expenses	<u>85,378</u>	<u>107,635</u>
	<u>652,065</u>	<u>2,218,993</u>
Investments, available for sale <i>(Note 5)</i>	11,760,000	2,692,337
Field & Office Equipment <i>(Note 7)</i>	283,255	294,938
Mineral Properties <i>(Note 6)</i>	<u>9,121,098</u>	<u>7,856,720</u>
	<u>\$21,816,418</u>	<u>\$13,062,988</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities	\$ 365,266	\$ 303,482
Due to related parties <i>(Note 9c)</i>	<u>45,359</u>	<u>8,728</u>
	<u>410,625</u>	<u>312,210</u>
Shareholders' Equity		
Share capital <i>(Notes 8&12)</i>	18,840,927	18,587,227
Contributed surplus <i>(Notes 8c)</i>	7,988,697	7,830,369
Deficit	<u>(5,423,831)</u>	<u>(13,666,818)</u>
	<u>21,405,793</u>	<u>12,750,778</u>
	<u>\$ 21,816,418</u>	<u>\$ 13,062,988</u>

Subsequent Events *(Note 12)*

On behalf of the Board:

"Ian 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 OPERATIONS, COMPREHENSIVE INCOME AND DEFICIT

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2010 and 2009

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2010	2009	2010	2009
EXPENSES				
Amortization	\$ 36,121	\$ 65,212	\$ 84,190	\$ 134,163
Administrative expenses	148,379	208,694	272,190	437,887
Consulting fees [Note 9 (a), 9 (d) and 9 (e)]	49,811	115,690	112,105	228,200
Professional fees [Note 9 (c)]	94,194	171,463	159,885	281,717
Salaries and benefits	23,965	66,985	54,880	121,257
Stock based compensation [Note 8 (a)]	<u>86,384</u>	<u>39,956</u>	<u>147,607</u>	<u>79,921</u>
	<u>438,854</u>	<u>668,000</u>	<u>830,857</u>	<u>1,283,145</u>
OTHER ITEMS				
Interest income	522	7,743	729	16,737
Equity gain (loss) in investment	64,713	-	(12,787)	-
Gain on sale of mineral properties		1,702,688		1,702,688
Foreign exchange gain (loss)	<u>(35,984)</u>	<u>(538,110)</u>	<u>5,452</u>	<u>(493,915)</u>
	<u>29,251</u>	<u>1,172,321</u>	<u>(6,606)</u>	<u>1,225,510</u>
Net profit (loss)	(409,603)	504,321	(837,463)	(57,635)
OTHER COMPREHENSIVE INCOME				
Unrealized gain on investments available for sale (note 5)	9,080,450	-	9,080,450	-
Comprehensive income (loss)	8,670,847	504,321	8,242,987	(57,635)
Deficit, beginning of the period	<u>14,094,678</u>	<u>15,108,960</u>	<u>13,666,818</u>	<u>14,547,004</u>
Deficit, end of the period	<u>\$ 5,423,831</u>	<u>\$ 14,604,639</u>	<u>\$ 5,423,831</u>	<u>\$ 14,604,639</u>
Profit (loss) per share {basic and diluted}	(\$0.01)	\$0.01	(\$0.01)	\$ 0.00
Weighted average number of shares outstanding	74,500,751	62,371,525	74,811,118	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 CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED JUNE 30, 2010 and 2009
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2010	2009	2010	2009
OPERATIONS:				
Net gain (loss) for the period	\$ (409,503)	\$ 504,321	\$ (837,363)	\$ (57,635)
Adjust for non-cash items:				
Amortization	36,121	65,212	84,190	134,163
Foreign exchange loss (gain)	-	11,246	-	20,773
Equity (gain) loss on investment	(64,813)	-	12,687	-
Stock-based compensation	<u>86,385</u>	<u>39,956</u>	<u>147,608</u>	<u>79,921</u>
	(351,810)	620,735	(592,878)	650,364
Change in non-cash working capital:				
Increase in accounts receivable	35,570	(229,490)	113,304	(240,788)
Decrease in promissory note receivable		(1,000,000)		(1,000,000)
Decrease in prepaid expenses	17,052	22,539	22,257	14,118
Increase (decrease) in accounts payable	(13,136)	(116,688)	61,785	(65,294)
Increase in due to related parties	<u>22,892</u>	<u>6,977</u>	<u>36,631</u>	<u>21,079</u>
	<u>(289,432)</u>	<u>(695,927)</u>	<u>(358,901)</u>	<u>(1,093,663)</u>
INVESTING:				
Acquisition of field and office equipment	(41,123)	(206)	(72,507)	(22,110)
Acquisition of mineral properties, excluding acquisition for stock	(306,479)	(70,659)	(314,326)	(114,397)
Deferred exploration and development costs	<u>(358,787)</u>	<u>(547,683)</u>	<u>(685,632)</u>	<u>(1,078,300)</u>
	<u>(706,389)</u>	<u>(618,548)</u>	<u>(1,072,465)</u>	<u>(1,214,807)</u>
Effect of non cash item from mineral property sale (note 6iv)		(704,113)		(704,113)
Decrease in cash	(995,821)	(2,018,588)	(1,431,366)	(3,012,583)
Cash, beginning of the period	<u>1,551,689</u>	<u>2,998,337</u>	<u>1,987,234</u>	<u>3,992,332</u>
Cash, end of the period	<u>\$ 555,688</u>	<u>\$ 979,749</u>	<u>\$ 555,868</u>	<u>\$ 979,749</u>
<i>Refer to Note 11 for additional information on non-cash transactions.</i>				

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 SIX MONTHS ENDED JUNE 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 period ended June 30, 2010, the Company incurred a loss of \$837,363, (2009 - \$57,635) and at June 30, 2010, the Company had working capital of \$241,440, (2009- \$2,934,774) and an accumulated deficit of \$5,423,731, (2009 - \$13,666,818). The Company has incurred losses since inception. The Company’s continuing operations are dependent upon the continued support of related parties and the ability of the Company to raise equity financing. Should the Company not be able to continue to operate as a going concern, adjustments might be necessary to the carrying values of assets and liabilities and the reported results from operations.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company’s subsidiaries, Latin American Minerals Argentina S.A., Latin American Minerals Paraguay S.A. 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.
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Reclamation and Closure Costs

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

As at June 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial Instruments

Financial instruments are measured at their fair values on initial recognition. After initial recognition, financial instruments are measured at 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.

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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.
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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

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 AFRS 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.

Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements and Section 162, Non-controlling Interests. The Company is assessing the impact, if any, of the adoption of these sections on its consolidated financial statements when they will be applicable, January 1, 2011.

LATIN AMERICAN MINERALS INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited)

4. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes cash and cash equivalent, investments held for sale, and shareholders' equity.

As described in note 1, significant amounts of capital will be required to fund the costs to complete the exploration of its mineral properties, and to define and develop the resources. The Company prepares short term project funding requirements which are reviewed by management periodically and are taken in to account in determining the funding activities required to meet the Company's objectives.

5. INVESTMENTS

The investments are comprised of 8,400,000 shares of Lithium Americas Corp. received in 2009 from the sale of the Salares mineral property. (See note 6). Up to the point in time the shares became listed on the TSX (symbol LAC), the shares were valued at cost; as of 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.

Lithium Americas recently completed an IPO, listing on the TSX and the shares market value on June 30 was \$11,760,000.

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>9,080,450</u>
Total investment June 30, 2010	\$ <u>11,760,000</u>

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6. MINERAL PROPERTIES

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

	December 31, 2009	Acquisition Cost	Deferred Exploration	March 31, 2010
Paso Yobai (i)	\$ 7,369,689	\$ 564,573	\$ 662,096	\$ 8,596,358
Itapoty (ii)	487,030	3,453	34,256	524,739
Tendal La Rioja (iii)	1	-	-	1
	<u>\$ 7,856,720</u>	<u>\$ 568,026</u>	<u>\$ 696,352</u>	<u>\$ 9,121,098</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 Guira mining concession for which the 70% interest can be earned by payments of US \$2.1 million (CAD \$2.08 million) over 3 years plus 100,000 shares of the company. (issued) and by expending US \$500,000 (CAD \$495,650) during the first year. The amended outstanding payment remaining is \$US 1,040,000 (\$1,107,184CAD) 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 (\$958,400CAD) is due 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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6. 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.

(iv) Salares

On June 11, 2009, the Company sold its interest in the Salares property 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 ten cents per share by the Company.

7. FIELD AND OFFICE EQUIPMENT

	Cost	Accumulated Amortization	June 30, 2010 Net Book Value	December 31, 2009 Net Book Value
Field and Office Equipment	\$ 927,347	\$ 644,092	\$ 283,255	\$ 294,938

8. 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	-	(285,265)
Balance as at December 31, 2009	<u>74,500,751</u>	<u>18,587,227</u>
Acquisition of mineral property-Paso Yobai	<u>906,071</u>	<u>253,700</u>
Balance as at June 30, 2010	<u>75,406,822</u>	<u>\$18,840,927</u>

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8. SHARE CAPITAL (continued)

(a) Incentive Stock Options

The following table summarizes information about stock options outstanding at June 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	0.80
390,000	390,000	\$0.25	October 18, 2011	1.30
650,000	650,000	\$0.40	January 5, 2012	1.55
125,000	125,000	\$0.91	May 4, 2012	0.84
1,185,000	1,185,000	\$1.20	June 5, 2012	1.93
150,000	150,000	\$0.81	July 25, 2012	2.07
554,000	554,000	\$0.65	January 21, 2013	2.57
767,500	767,500	\$0.15	September 22, 2013	3.25
1,070,000	535,000	\$0.22	June 1, 2014	3.90
150,000	75,000	\$0.25	November 17, 2014	4.35
17,500	17,500	\$0.26	December 1, 2014	4.40
2,329,182	-	\$0.18	June 1, 2015	4.92
7,488,182	4,549,000			3.62

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	2,329,182	\$ 0.20
Forfeited during period	(105,000)	\$ 0.73
Issued but not vested	(2,939,182)	\$ 0.18
Total vested, June 30, 2010	4,549,000	\$ 0.59

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8. 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. 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 June 30, 2010, \$147,608, \$ (June 30, 2009-\$76,862) was expensed and \$10,720, (June 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 June 30, 2010:

Number of Warrants	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
6,689,001	\$0.50	February 19, 2011	.6 years
5,000,000	\$0.30	October 5, 2011	1.3 years
800,000	\$0.15	October 5, 2011	1.3 years
12,489,001			1.3 years

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

	Warrants Outstanding	Weighted Average Exercise Price
Balance as at December 31, 2008	7,357,902	\$ 0.48
Issued during the year	5,800,000	\$ 0.28
Balance as at December 31, 2009	13,157,902	\$ 0.39
Expired during period	668,901	\$ 0.30
Balance June 30, 2010	12,489,001	\$ 0.40

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8. SHARE CAPITAL (continued)

The fair values of warrants issued during the year have been estimated using the Black Scholes option-pricing model. Assumptions used are as follows: risk-free interest rate of 1.3%, dividend yield of 0%, volatility of 192%, and expected life of 2 years.

The fair value of these warrants amounts to \$544,732 and has been credited to contributed surplus within shareholders' equity. The weighted average fair value of the warrants granted is \$0.09.

(c) Contributed Surplus

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

Balance as at December 31, 2008	\$ 7,195,604
<hr/>	
Contributions from options expensed	185,722
Contributions from options capitalized to properties	8,954
Contributions from issue of warrants	544,732
Transfer of fair value of stock options/warrants to share capital upon exercise	<u>(104,643)</u>
Balance December 31, 2009	<u>7,830,369</u>
<hr/>	
Contributions from options expensed	147,608
Contributions from options capitalized to properties	<u>10,720</u>
Balance June 30, 2010	<u>7,988,697</u>

9. RELATED PARTY TRANSACTIONS

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

- (a) \$57,600, (2009 - \$39,200) in director fees to directors of the Company.
- (b) \$77,733 (2009 - \$166,931) in legal fees to a law firm, Gowling Lafleur Henderson LLP, of which a partner is a director of the Company. At June 30, 2010, a total of \$45,359 (2009 - \$36,191) remained unpaid and was included in due to related parties.
- (c) \$31,408, (2009 - \$59,665) to a director and acting CEO of the Company pursuant to a service contract.
- (d) \$36,000 (2009 - \$62,915) in contract fees pursuant to a service contract paid to the CFO of the Company.

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

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risks arising from financial instruments and risk management

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

	Assets	Liabilities
	\$	\$
Argentinean Pesos	102	230
Paraguayan Guarani	101	1
United States Dollars	49	-
	<u>252</u>	<u>231</u>

Sensitivity

Based on the financial instruments held at June 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 \$1,000 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 \$1,000 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) Cash flow fair value interest rate risk

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

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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 June 30 2010, the Company had net working capital of \$241,440 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.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transaction for the period was the Company incurring \$10,720 (2009-\$6,045) in mineral property costs through the allocation of stock option costs and \$147,608 (2009-\$20,810) in expenses related to stock option costs.

12. SUBSEQUENT EVENT

On July 5, 2010 the Company announced an intention to issue on a private placement, 10,000,000 units comprised of 10,000,000 common shares and a ½ share purchase warrant. Each full warrant will have an exercise price of \$0.20 to acquire a common share for a period of two years from the closing date. 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.