

LATIN AMERICAN MINERALS INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

LATIN AMERICAN MINERALS INC.
CONSOLIDATED BALANCE SHEETS
AS AT September 30, 2009 AND DECEMBER 31, 2008
(Unaudited)

Nature of Operations and Going Concern (Note 1)

	Sept. 30 2009	December 31 2008
ASSETS		
Current		
Cash and cash equivalents	\$ 1,175,362	\$ 3,992,332
Accounts receivable	152,010	25,524
Promissory note receivable (Note 6vi)	400,000	
Prepaid expenses	<u>117,715</u>	<u>184,220</u>
	<u>1,845,087</u>	<u>4,202,076</u>
Investments, at cost (Note 6vi)	882,000	
Field & Office Equipment (Note 7)	324,403	591,896
Mineral Properties (Note 6)	<u>6,891,259</u>	<u>5,484,786</u>
	<u>\$ 9,942,749</u>	<u>\$ 10,278,758</u>

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

Current		
Accounts payable and accrued liabilities	\$ 201,571	\$ 322,126
Due to related parties (Note 9c)	<u>151,256</u>	<u>15,112</u>
	<u>352,827</u>	<u>337,238</u>
Shareholders' Equity		
Share capital (Note 8)	17,292,920	17,292,920
Contributed surplus (Notes 8c and 8d)	7,326,531	7,195,604
Deficit	<u>(15,029,529)</u>	<u>(14,547,004)</u>
	<u>9,589,922</u>	<u>9,941,520</u>
	<u>\$ 9,942,749</u>	<u>\$ 10,278,758</u>

Subsequent Events (Note 12)

On behalf of the Board:

"Harvey McKenzie"

Director

"Ted Freedman"

Director

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

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED JUNE 30, 2009 and 2008
(Unaudited)

	Three Months Ended		Nine Months Ended	
	Sept. 30		Sept. 30	
	2009	2008	2009	2008
EXPENSES				
Amortization	\$ 58,754	\$ 107,669	\$ 192,917	\$ 184,749
Administrative expenses	93,385	142,572	531,272	705,371
Consulting fees [Note 9 (a), 9 (d) and 9 (e)]	223,565	138,521	451,765	408,132
Professional fees [Note 9 (d) and 9 (e)]	82,338	61,796	364,055	411,672
Salaries and benefits	15,701	78,629	136,958	237,692
Stock based compensation (Note 8 (b))	<u>14,687</u>	<u>91,924</u>	<u>94,608</u>	<u>739,878</u>
	<u>488,430</u>	<u>621,111</u>	<u>1,771,574</u>	<u>2,687,494</u>
OTHER ITEMS				
Interest income	8,103	20,396	24,840	99,860
Write-down of mineral properties	-	(3,429,380)	-	(3,429,380)
Gain on sale of mineral properties (Note 6vi)	11,553	-	1,714,241	-
Loss on disposal of fixed assets	(72,887)	(9,821)	(72,887)	(9,821)
Foreign exchange gain (loss)	<u>116,771</u>	<u>(660,312)</u>	<u>(377,144)</u>	<u>127,707</u>
	<u>63,540</u>	<u>(4,079,117)</u>	<u>1,289,050</u>	<u>(3,211,634)</u>
Net profit (loss) for the period	(424,890)	(4,700,228)	(482,524)	(5,889,128)
Deficit, beginning of the period	<u>14,604,639</u>	<u>8,468,300</u>	<u>14,547,004</u>	<u>7,269,400</u>
Deficit, end of the period	\$ 15,029,529	\$ 13,168,528	\$ 15,029,529	\$13,168,528
Profit (loss) per share {basic and diluted}	\$(0.01)	\$(0.09)	\$(0.01)	\$(0.12)
Weighted average number of shares outstanding	62,371,525	55,100,872	62,371,525	50,196,284

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

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED JUNE 30, 2009 and 2008
(Unaudited)

	Three Months Ended		Nine Months Ended	
	Sept. 30		Sept. 30	
	2009	2008	2009	2008
OPERATIONS:				
Net loss for the period	\$ (424,890)	\$(4,700,229)	\$ (482,524)	\$(5,899,127)
Adjust for non-cash items:				
Amortization	58,754	107,669	192,917	184,749
Write-down of mineral properties	-	3,429,380	-	3,429,380
Loss on disposal of fixed assets	-	9,821	-	9,821
Stock based compensation	14,687	91,924	94,608	739,878
Foreign exchange loss (gain)	<u>(116,771)</u>	<u>660,314</u>	<u>377,142</u>	<u>(127,707)</u>
	<u>(468,220)</u>	<u>(401,120)</u>	<u>182,143</u>	<u>(1,663,006)</u>
Change in non-cash working capital:				
Decrease (increase) in accounts receivable	114,301	18,443	(126,486)	(184,126)
Decrease (increase) in promissory note receivable	600,000	-	(400,000)	-
Decrease (increase) in prepaid expenses	52,387	(113,647)	66,505	(62,153)
Increase (decrease) in accounts payable	(57,483)	(156,315)	(120,565)	(90,442)
Increase (decrease) in due to related parties	<u>117,287</u>	<u>(5,078)</u>	<u>136,144</u>	<u>(173,279)</u>
	<u>358,272</u>	<u>(660,317)</u>	<u>(262,249)</u>	<u>(2,201,475)</u>
FINANCING:				
Proceeds from issuance of share capital	-	3,627,272	-	3,627,272
Exercise of stock options and warrants	<u>-</u>	<u>-</u>	<u>-</u>	<u>388,350</u>
	<u>-</u>	<u>3,627,272</u>	<u>-</u>	<u>4,015,622</u>
INVESTING:				
Disposal (acquisition) of fixed assets	96,686	50,134	74,576	(228,795)
Acquisition of investments	(177,887)	-	(882,000)	-
Disposal (acquisition) of mineral properties, excluding acquisition for stock	107,785	(481,983)	(6,612)	(602,294)
Deferred exploration and development costs	<u>(317,529)</u>	<u>(54,142)</u>	<u>(1,395,829)</u>	<u>(3,777,909)</u>
	<u>(290,945)</u>	<u>(485,991)</u>	<u>(2,209,865)</u>	<u>(4,608,998)</u>
Effect of exchange rate change on cash	<u>128,286</u>	<u>(667,247)</u>	<u>(344,856)</u>	<u>155,007</u>
Increase (decrease) in cash	195,613	1,813,717	(2,816,970)	(2,639,844)
Cash, beginning of the period	<u>979,749</u>	<u>3,470,140</u>	<u>3,992,332</u>	<u>7,923,701</u>
Cash, end of the period	<u>\$ 1,175,362</u>	<u>\$ 5,283,857</u>	<u>\$ 1,175,362</u>	<u>\$ 5,283,857</u>

Refer to Note 11 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
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008
(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., a 100% owned subsidiary known as Itapora S.A. in Paraguay 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 September 30, 2009, the Company incurred a loss of \$482,524, (2008 - \$5,899,128) and at September 30, 2009, the Company had working capital of \$1,492,260, (2008- \$3,864,838) and an accumulated deficit of \$15,029,529, (2008 - \$14,547,004). The Company has incurred losses since inception. The Company’s continuing operations are dependent upon the continued support of related parties and the ability of the Company to raise equity financing. Should the Company not be able to continue to operate as a going concern, adjustments might be necessary to the carrying values of assets and liabilities and the reported results from operations.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Principles of Consolidation

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

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

b) Cash and Cash Equivalents

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

LATIN AMERICAN MINERALS INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008
(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, 2009, 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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(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial Instruments

The Company's financial instruments consist of cash or cash equivalents, receivables, prepaid expenses, payables, and amount due to related parties. All of the Company's cash and equivalents are designated as held to maturity investments. The Company's interest and other receivables and accounts payable and accrued liabilities are classified as loans and receivables.

The fair values of cash and cash equivalents, interest and other receivables and accounts payable and accrued liabilities approximate their carrying value due to their short term nature.

Investments in private companies are held at cost unless their value is believed impaired

g) Use of Estimates and Measurement Uncertainty

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

h) Income Taxes

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

i) Long-Lived Assets Impairment

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

j) Stock-Based Compensation

The Company has an incentive stock option plan. The Company has adopted CICA Handbook Section 3870 – "Stock Based Compensation and Other Stock Based Payments" to account for stock based transactions with employees, directors, and outside consultants. The fair value of stock options is charged to operations as appropriate, with an 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.

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(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Foreign Currency Translation

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

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

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

l) Field & Office Equipment

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

m) Comparative Figures

Certain comparative figures for the period ended March 31, 2008 have been reclassified to conform with the current year's presentation.

3. CHANGES IN ACCOUNTING POLICIES

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

- (a) CICA Handbook section 1535: This section establishes standards for discussing information about the Company's capital and how it is managed. Disclosure and presentation requirements pertaining to this section is contained in note ;
- (b) CICA Handbook Section 1400: This modified section set out general standards of financial statements presentation that require management make assessment of the Company's ability to continue its operations over at least but not limited to, a period of 12 months from the balance sheet date.
- (c) CICA Handbook section 3064,: This modified section amended standards for accounting for goodwill, other intangible assets and research and development costs.

The adoption of these new accounting pronouncements had no material effect on the consolidated financial statements.

4. RECENT ACCOUNTING PRONOUNCEMENTS

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008
(Unaudited)

4. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

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 in its consolidated financial statements when they will be applicable, January 1, 2011.

5. 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 equivalents 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 taken in to account in determining the funding activities required to meet the Company's objectives.

6. MINERAL PROPERTIES

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

	December 31, 2008	Acquisition Cost	Deferred Exploration	Disposal of Mineral Properties	Sept. 30, 2009
Tendal La Rioja (ii)	1	-	-	-	1
Paso Yobai (iii)	5,116,877	446,498	920,000	-	6,483,375
Itapoty (v)	129,819	28,430	249,634	-	407,883
Salares (vi)	238,089	81,696	230,964	(550,750)	-
	<u>\$ 5,484,786</u>	<u>\$ 556,624</u>	<u>\$ 1,400,598</u>	<u>\$ (550,750)</u>	<u>\$ 6,891,259</u>

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

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008
(Unaudited)

6. MINERAL PROPERTIES (continued)

(i) La Carolina

The Company has written off this property as a result of anti-mining laws in the province

(ii) Tendal La Rioja

On January 31, 2007, the Company acquired a 100% interest in the Tendal zinc-silver property in La Rioja Province of Argentina for \$52,000 and 200,000 common shares of the Company. The property comprises four concessions covering 24,296 hectares. Subsequently, the Company acquired 2 more concessions with an additional 36 hectares and have made payments totalling US \$90,000 with an additional payment of US \$30,000 due on April 2, 2008 which was paid. The Company has written down the property to \$1 as a result of the weak zinc markets.

(iii) Paso Yobai

On February 21, 2007, the Company entered into two option agreements for 70% interests in two mining concessions. The Paso Yobai Project includes the Minera Guaira mining concession for which the 70% interest can be earned by payments of a minimum of US \$2.1 million (CAD \$2.25 million) over 3 years plus 100,000 shares of the company (issued) and by expending US \$500,000 during the first year. The payment schedule was amended in 2009 and as a result is as follows:

- i) US \$10,000 upon signing of the agreement (paid);
- ii) US \$190,000 when the agreement took effect on April 16, 2007 (paid);
- iii) US \$50,000 on April 16, 2008 (paid);
- iv) US \$350,000 on April 18, 2009 (paid);
- v) US \$250,000 (CAD \$441,455) on October 18, 2009;
- vi) The US cash equivalent of 240 ounces of gold on April 17, 2010 with a minimum value of \$1,043US per ounce (CAD \$1,116) and
- vii) The US cash equivalent of 959 ounces of gold on October 17, 2010 with a minimum value of \$1,043US per ounce (CAD\$1,116)

The Minas Paraguay concession requires cash payments of US \$1.65(CAD\$1,765,500) over 3 years plus company shares valued at US \$400,000 (paid by issuing 1,352,500 shares) and mining exploration expenditures of US \$750,000 over 2 years. Following is the payment schedule including subsequent amendments:

- i) US \$5,000 upon signing of the agreement (paid);
- ii) US \$45,000 when the agreement took effect on April 16, 2007 (paid);
- iii) US \$100,000 on April 18, 2008 amended to 114,149 shares (paid);
- iv) US \$350,000 on August 30, 2008 (paid);
- v) US \$100,000 and 1,287,976 shares valued at \$265,000 on October 18, 2009 (paid); and
- vi) US \$1,150,000 (CAD\$1,450,495) on April 18 2010.

SEE SUBSEQUENT EVENTS (NOTE 12)

(iv) La Esmeralda

On October 29, 2007, the Company signed a heads of agreement to option a 100% interest in the 9,639 hectare Esmeralda gold project in the Pasto Department in Southern Colombia. After expending \$562,000 on the property in 2008 it was determined the project was uneconomical and the expenditures were written off.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008
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6. MINERAL PROPERTIES (continued)

(v) Itapoty

The Itapoty Diamond Property is located in Paraguay, approximately 100 kilometres north of Latin's Paso Yobai Gold Project. The Property consists of several contiguous explorations licences. The Company owns or has the option to own a 100% interest in the property. The Company has initiated diamond exploration thereon.

(vi) Salares

On June 11, 2009 the Company sold its interest in the Salares property to Lithium Americas Corp. The property was sold for consideration of a promissory note of \$1,000,000 (payable \$300,000 upon completion of a private placement by Lithium Americas Corp. {paid in "August} and \$300,000 upon the completion of a second private placement (paid in October) and the balance payable upon an initial public offering, and 8,400,000 common shares of Lithium Americas Corp. These shares were valued at ten and one-half cents per share by the Company.

7. FIELD AND OFFICE EQUIPMENT

			September 30, 2009	December 31, 2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Field and Office Equipment	\$ 854,731	530,328	\$ 324,403	\$ 591,896

8. SHARE CAPITAL

	Number of Shares	Amount
Authorized:		
Unlimited common shares without par value		
Issued and fully paid:		
Balance as at December 31, 2007	47,071,375	13,876,560
Acquisition of mineral property – La Carolina	175,000	99,750
Acquisition of mineral property – Paso Yobai	214,149	149,310
Exercise of warrants	1,533,000	570,130
Private placement	13,378,001	4,013,400
Warrants issued under private placement	-	(883,722)
Share issue costs	-	(532,557)
Balance as at December 31, 2008 and September 30, 2009	<u>62,371,525</u>	<u>\$17,292,920</u>

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(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008
(Unaudited)

8. SHARE CAPITAL (continued)

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

SEE SUBSEQUENT EVENTS (NOTE 12)

(A) Incentive Stock Options

The following table summarizes information about stock options outstanding at September 30, 2009:

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	1.55
590,000	590,000	\$0.25	October 18, 2011	2.05
957,500	957,500	\$0.40	January 5, 2012	2.30
125,000	125,000	\$0.91	May 4, 2012	1.60
1,580,000	1,580,000	\$1.20	June 5, 2012	2.68
150,000	150,000	\$0.81	July 25, 2012	2.82
788,500	788,500	\$0.65	January 21, 2013	3.32
1,508,750	1,508,750	\$0.15	September 22, 2013	4.00
200,000	50,000	\$0.18	June 1, 2011	4.65
5,999,750	5,849,750			3.50

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

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2007	3,817,500	\$ 0.81
Granted during the year	2,518,500	\$ 0.32
Cancelled during the year	(337,500)	\$ 0.87
Outstanding at Dec. 31, 2008	5,998,500	\$ 0.60
Issued during period	200,000	\$ 0.18
Cancelled during period	(198,750)	\$ 0.65
Issued but not vested	(150,000)	\$ 0.18
Total vested at September 30, 2009	5,849,750	\$ 0.60

SEE SUBSEQUENT EVENTS (NOTE 12)

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008
(Unaudited)

8. SHARE CAPITAL (continued)

On January 21 2008 the Company issued 738,500 incentive stock options to directors and officers and 110,000 incentive stock options to employees at an exercise price of \$0.60. On September 23, 2008 the Company issued 1,030,000 incentive stock options to directors, consultants and officers and 640,000 incentive stock options to employees at an exercise price of \$0.15. On June 1, 2009, the Company entered into an agreement with an investor relations company. The terms of the agreement include the issue of 200,000 stock options exercisable at \$0.18 and expiring June 1, 2011.

The options vest over 12 months in equal tranches. The options are being expensed over their respective vesting periods and credited to contributed surplus within shareholders' equity. For the period ended September 30, 2009, \$130,956 was expensed and \$4,031 was charged to the costs of mineral properties.

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.

(c) Share Purchase Warrants

The following table summarizes information about share purchase warrants outstanding at September 30, 2009:

Number of Warrants	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
6,689,001	\$0.50	February 19, 2010	.40 years
668,901	\$0.30	February 19, 2010	.40 years
7,357,902			.65 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, 2007	8,743,000	\$ 1.02
Issued during the year	7,357,902	\$ 0.48
Exercised during the year	(1,533,000)	\$ 0.25
Cancelled during the year	(7,210,000)	\$ 1.18
Balance as at December 31, 2008 and September 30, 2009	7,357,902	\$ 0.48

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

The fair value of these warrants amounts to \$1,030,151 and has been credited to contributed surplus within shareholders' equity. The weighted average fair value of the warrants granted is \$0.14 per warrant.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008
(Unaudited)

8. SHARE CAPITAL (continued)

(d) Contributed Surplus

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

Balance as at December 31, 2007	\$ 5,431,515
Contributions from the options expensed	817,393
Contributions from options capitalized to resource properties	98,374
Contributions from the issuance of warrants	1,030,151
Transfer of fair value of stock options/warrants to share capital upon exercise	<u>(181,829)</u>
Balance as at December 31, 2008	\$7,195,604
Contributions from options capitalized to resource properties	4,031
Contributions from the options expensed	<u>128,696</u>
Balance as at September 30, 2009	<u>\$7,326,531</u>

SEE SUBSEQUENT EVENTS (NOTE 12)

9. RELATED PARTY TRANSACTIONS

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

(a) \$220,627 (2008 - \$84,445) in consulting and contract related fees pursuant to a services contract paid to Southampton & Associates, a firm controlled by the CEO of the Company. At September 30, 2009 \$100,000 remained unpaid and was included in due to related parties (2008-nil).

(b) \$110,256 (2008 - \$39,200) in director fees to directors of the Company. At September 30, 2009 \$2,222 remained unpaid and was included in due to related parties (2008-nil).

(c) \$236,591 (2008 - \$180,611) in legal fees to a law firm, Gowling Lafleur Henderson LLP, of which a partner is a director of the Company. At September 30, 2009, a total of \$31,256 (2008 - \$17,203) remained unpaid and was included in due to related parties.

(d) \$103,000 (2008 - \$106,000) paid to a director and Senior VP of the Company pursuant to a service contract.

(e) \$87,610 (2008 - \$97,000) paid to the CFO 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.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008
(Unaudited)

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 year end is as follows: (000's)

	Assets	Liabilities
	\$	\$
Argentinean Pesos	322	11
Paraguayan Guarani	149	68
United States Dollars	889	-
	1,360	79

Sensitivity

Based on the financial instruments held at September 30, 2009, 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 \$64,000 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 \$64,000 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. The Company is exposed to interest rate risk to the extent of the funds invested in the Company's bank accounts.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008
(Unaudited)

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 continuously monitoring forecast and actual cash flows.

As at September 30 2009, the Company had net working capital of \$1,492,260 and anticipates this is sufficient to provide 12 months of planned activity when augmented with anticipated other prospective cash sources.

(d) Fair value estimation

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

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transaction for the nine month period was the Company incurring \$4,031 (\$101,390 in 2008) in mineral property costs through the allocation of stock option costs and \$130,956 (\$739,878 in 2008) in expenses related to stock option costs.

In 2008 the Company incurred \$199,060 in non-cash costs by completing property payments through the issuance of common shares.

12. SUBSEQUENT EVENTS

(i) On November 5, 2009 The Company reported that it successfully renegotiated the payment terms of the two property option agreements that make up part of the Paso Yobai gold project.

Minera Guaira Agreement amended payment terms: US\$250,000 to be paid on October 17, 2009 (payment has been made), the dollar equivalent of 240 ounces of gold (approximately US\$260,000 at the current market price) on or before April 17, 2010, and a final payment of the dollar equivalent of 959 ounces of gold (approximately US\$1,040,000 at the current market price) on or before October 17th, 2010. The dollar equivalent for the gold in each instance will be calculated to be the greater of US\$1,043 per ounce and the market price for gold on the date the payment is due.

LATIN AMERICAN MINERALS INC.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008
(Unaudited)

12. SUBSEQUENT EVENTS (continued)

Minas Paraguay amended payment terms: The October 18th, 2009 payment of US\$ 350,000 will be satisfied by a cash payment of US\$100,000 to be paid on November 5, 2009 and the issuance of 1,287,976 common shares of the Company (subject to TSX Venture Exchange approval). The remaining terms of the property option agreements remain the same.

(ii) On August 14, 2009, the Company announced it agreed to issue on a private placement basis, 10,000,000 units at \$0.15 per unit for gross cash proceeds of \$1.5 million. This transaction closed in October 2009.

Each unit consists of one common share and one half a share purchase warrant. Each full warrant will be entitled to acquire one common share at an exercise price of \$0.30 for a period of two years; the company may advance the expiry date if the closing price of the common shares is higher than \$0.60 for 20 consecutive days in the four month and one day period after the closing of the issue. The Company issued 800,000 brokers warrants with the issue carrying the same terms.

(iii) On August 9, 2009 The Company granted incentive stock options to acquire 1,070,000 common shares at a price of \$0.22 for a term of 5 years. The options vest over a period of one year in four equal instalments subject to the Company's stock option plan.