LATIN AMERICAN
MINERALS INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2011

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") provides a review of the financial condition and results of operations of Latin American Minerals Inc. (the "Company" or "Corporation"). The review is provided to enable a reader to assess the significant changes in the financial condition of the Company as at and for the three and nine months ended September 30, 2011. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto of the Company for the three months and nine months ended September 30, 2011.

The Company's unaudited Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's reporting currency is Canadian dollars. The date of this MD&A is November 22, 2011.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

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

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

COMPANY OVERVIEW

General

The Company is a mineral exploration company focused on the discovery, acquisition and development of potential mineral deposits in Latin America. Currently, the Company has active exploration projects in Paraguay and Argentina. The Paso Yobai gold project and the Chiriguelo niobium / rare earth element project are located in Paraguay, and are undergoing phased exploration steps. The Itapoty diamond project, also located in Paraguay, is now subject to an option agreement signed in July 2011 with Olivut Resources Ltd., who will explore and develop the property over a 30 month option period. The Tendal lead-zinc-copper-silver project, located in Argentina, is being explored by Votorantim-Metais Argentina S. A. through a three-year option agreement signed in August 2010.

The Company is listed on the TSX Venture Exchange (the "Exchange" or "TSX-V") and trades under the symbol "LAT". Additional information about the Company is available on SEDAR at www.sedar.com.

SIGNIFICANT EVENTS DURING THE FIRST NINE MONTHS OF 2011

In January 2011, the Company announced it had ordered a bulk sampling plant for installation at its Paso Yobai gold project ("Paso Yobai"). The plant has been commissioned to Sepro Mineral Systems of Langley, British Columbia following a one-year consultation and engineering program. A budget of $1.6 million was allocated for capital and infrastructure costs and for contingencies.

In February 2011, the Company announced its initial 2011 exploration program for Paso Yobai. The aggressive new program, which included a 200m diamond drilling program, consists of exploration activity in three areas of the Discovery Zone, to be conducted simultaneously.

In July 2011, the Company announced it had optioned the Itapoty ("Itapoty") diamond property to Olivut Resources Ltd. ("Olivut"). The Company signed a definitive Option Agreement for the potential earn-in and joint venture development of Itapoty by Olivut. The agreement provides Olivut with the option to earn 50% of the project by investing CDN$250,000 in exploration and project expenses during the first 12 months and an additional CDN$750,000 during the following 18-month period. After completing the earn-in conditions, a Joint Venture representing the two companies in equal proportion would be formed.

In September 2011, the Company obtained the approval from the TSX Venture Exchange for a one year extension for the 4,700,000 outstanding share purchase warrants issued pursuant to the 10,000,000 unit private placement at a price of $0.15 per Unit completed on October 5, 2009. Each Unit was comprised of one common share of the Company and one-half of one Warrant. Each full Warrant is exercisable for one Common Share at an exercise price of $0.30 per Common Share. The Warrants were due to expire on October 5, 2011. The new expiry date of the Warrants is October 5, 2012.

In the same month, the Company started trading in OTCQX International Marketplace ("OTCQX") in the United States of America, under the symbol "LATNF". Latin American Minerals has retained Berns & Berns, Counsellors at Law ("Berns & Berns"), to serve as the Company's Principal American Liaison ("PAL") on OTCQX, who will be responsible for providing guidance on OTCQX requirements and U.S. securities laws.

In October 2011, the Company announced the appointment of Mr. Julio Martinez as the Company's Chief Financial Officer. Mr. Martinez is a financial professional and CGA with 13 years of experience with public and private companies in Canada and internationally.

Mineral Properties

Paso Yobai Gold Project

Paso Yobai Properties

The Paso Yobai Project is located west and south of the town of Paso Yobai in eastern Paraguay, approximately 150 km east of the capital city of Asuncion. The project comprises two areas: the Minera Guairá concession ("Guairá", 6,700 ha) and the two Latin American Minerals Paraguay S.A. ("LAMPA") concessions (totalling 8,965 ha). A third concession optioned by LAMPA in 2007 (Minas Paraguay S.A. concession, 500 ha) was dropped by the Company in October 2010, after consideration of property payments and disappointing exploration results.

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

Contiguous with the Guairá concession, located to the north and east, the LAMPA area is 100% owned by the Company through its subsidiary LAMPA. Following the earlier technical approval, the prospecting concession was formally granted by the Paraguayan Vice-Ministry of Mines and Energy (VMME) in January 2011 for the first LAMPA concession area (approximately 6,165 ha) and for the second area (2,800 ha) in May, 2011. At the close of Q3, the total project area for the Paso Yobai properties remained 15,665 hectares.

The Paso Yobai Project is the Company's most advanced exploration project, with the following work completed: 3,700 km airborne electromagnetic and magnetometer surveys; approximately 18,600 soil samples; 1100 line-km ground magnetometer surveys; 27 extensive mechanical exploration trenches plus 12 detail trenches in the pilot plant area; and 9,028 metres of diamond drilling including 4,179 core samples.

Exploration highlights of the Paso Yobai project are presented in the following summaries.

Paso Yobai - Discovery Trend Summary

The term Discovery Trend refers to an 8 km long geologic lineament traceable in geophysical and geological data. Approximately 4.5 kilometres of the total length appears to exhibit continuous geological and geophysical features consistent with the mineralized bodies identified to date. This highly prospective 4.5 km zone is almost entirely situated within the Guairá Concession. Most of the Company's exploration work on the Discovery Trend has concentrated in a 1,200m length of this zone, termed the "Discovery Zone".

Based on the encouraging drill and trench results in the Discovery Zone, and based on the apparent continuity of the mineralized host formation, attested to by the continuity of a 4.5 km trend of gold soil anomalies coincident with the magnetic lineament resulting from the mafic-dyke host rock, management believes the Discovery Trend has excellent mineral potential and has quantified this potential by defining a potential mineral deposit on the Discovery Trend.

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

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

An important characteristic of the gold mineralization on the Discovery Trend is that it is largely coarse gold, which produces a strong 'nugget effect'. When small samples are acquired, as typical during diamond drilling and channel sampling in trenches, the assay results tend to vary greatly due to course distribution gold (large grains and nuggets) in the sampled area. To more accurately assess the mineral potential of the Discovery Trend, the Company is employing a strategy of bulk sampling, where the analysis of much larger samples reduces the erratic variation of assay results. The bulk sampling strategy is being applied on two different scales.

In 2010, the Company purchased and installed a laboratory-scale scrubber, rod mill and Falcon L40 centrifugal concentrator to assist in the economic evaluation of the Discovery trend. This equipment is employed in an ongoing programme of small bulk sampling (samples of 60kg each), conducted through the existing trenches and new infill trenches of the Discovery Zone to verify and improve the assessment provided by the initial trench channel-sampling program, and to re-test alteration zones, which may have proved negative or negligible for gold mineralization in the initial sampling program.

The Company is also currently completing construction of a 100 ton-per-day pilot plant and fire-assay lab to allow for stripping surface mineralization for commercial-scale bulk sampling. This programme will completely expose the veins to 20m depth for mapping and gold assaying. This will complement existing and future drill data in the preparation of a NI 43-101 compliant resource study. Construction of the pilot plant machinery had been completed off site by the close of Q2-2011. Work to prepare the site to receive the pilot plant was ongoing through Q3-2011. Site construction is expected to be completed by Nov 30, 2011 and final plant assembly is expected to be completed by Dec 31, 2011. Initial bulk sample gold production will begin with one operating shift in January, 2012, increased to two shifts after approximately two months.

In-fill trenching on the designated pilot plant operation area had extended to 12 new trenches at the end of Q3. Detailed shallow mapping and sampling of the mineralization in these trenches is being combined with results from the Q1/Q2 diamond drill programme (17 holes totalling 2,323m and 879 core samples) to produce detailed sections of the Discovery Zone mineralization.

<u>Paso Yobai - Valientes Trend Summary</u>

On November 3, 2009, the Company reported finding a significant new gold soil-anomaly trend, traceable by anomalous gold values distributed along a straight lineament. Continued sampling and analysis shows the trend continues over a 14.8 km length. This important geological feature has been designated the "Valientes Trend".

The mineral targets along this trend do not appear to be confined simply to linear-form mafic dikes, thus differing in configuration from the Discovery Trend. Airborne magnetic data suggests an abundance of mafic rock below the full extent of the Valientes Trend, suggestive of large formations of reactive host rock, which would be receptive to pervasive high-grade gold deposition. Ground work to date is summarized below.

In 2010, the Company executed two large trenches at the southern extent of the Valientes Trend, confirming the presence of gold mineralization in mafic intrusive rock. 2011 exploration along this trend has progressed through Q1, Q2 and Q3 with ground magnetometer surveys, grid soil sampling, grid auger-hole sampling and trenching. The following work was accomplished during Q3:

- the comprehensive ground magnetometer coverage was completed representing 304 line-km of magnetic coverage plus addition detail coverage;
- in-fill soil sample lines with 2167 soil samples recovered in the quarter (2554 to date for the year),
- 52 auger hole samples (70 to date for the year);
- 31 manual exploration pits on the Sudetia target;
- 2 exploration pits and two large mechanical exploration trenches on the Tacuru target.

Paso Yobai work plans through Q4- 2011 will focus on the following:

- The Company expects to evaluate the Valientes Trend Tacuru target area with approximately 1000m of diamond drilling during Q4, subject to the receipt of drill permit.
- Soil and auger sampling, and trenching will continue in Q4 on other Valientes Trend targets.
- Continuing development of the Discovery Trend by completing the 8 new trenches along its north-western extent.
- Surface stripping and mineral extraction to stock-pile, from the Discovery Zone target.
- Completion of pilot plant assembly and trials. Production from stockpile is scheduled to begin in January 2012.
- Extension and in-fill soil sampling and auger hole sampling on the Valientes Trend to determine its limits and to locate priority follow-up areas.
- Following up these priority targets with trenches, and as warranted, preparation of these targets for drilling.

Itapoty Diamond Project

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

In 2008, the Company acquired an option on the central 5700 hectare Landsonne concession. Taken to completion, this option permits the Company to acquire 100 % of the concession by 2013 paying in increments a total of US$1,465,000. Landsonne will retain a 3% gross production-return royalty, though this royalty can be reduced to 1% for an additional payment of US$3,000,000. The remaining three properties claimed in 2009 total 220,000 hectares. These are held by the Company either through Paraguayan subsidiaries or through third-party contract. These currently have technical approval from the Paraguayan Vice-Ministry of Mines and Energy, and are undergoing environmental permitting.

Prior to 2011, the Company had documented 55 diamonds recovered in 33 stream sediment samples from a programme totalling of 300 samples across all the project concessions. Thus 11% of all stream sediment samples returned diamonds, a very high success rate. Many Kimberlite Indicator Minerals (KIMs) were also recovered in this sampling over the combined concessions, including numerous chromium spinels, ilmenites and three G9/G10 garnets. No diamond source or host rocks have yet been identified on the Itapoty project.

By the close of 2010, the Company had completed ground magnetic surveys over the central concession (the Landsonne concession) with a line density of 250m or 100m separation in some areas.

In February 2011, a letter of intent was signed with Olivut Resources Ltd. ("Olivut") in which the Company agreed to limit substantive exploration work pending the acceptance of an option agreement for these properties. As a result, only limited sampling programmes were performed in Q1 and Q2, 2011 to maintain the legality of Landsonne concession, which has a stipulated work commitment. On July 5, 2011, the option agreement for all the Itapoty concessions and claims was signed with Olivut. The agreement grants Olivut the right to earn 50% of the projects by investing CDN$1,000,000 on exploration and property maintenance over 3 years, with a minimum of CDN$250,000 to be invested in the first year.

Sampling and sample analysis were conducted in the July-September period. The Olivut initiated in-fill and detailed ground magnetometer surveys in September, 2011. This magnetometer programme remains on-going at the time of this this report.

Olivut expects to follow the magnetometer surveys with targeting and drill evaluation on the Landsonne concession in Q4.

Chiriguelo Niobium / Rare Earth Project, Paraguay

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

The Chiriguelo Carbonatite Complex represents a prime exploration target for niobium and rare earth elements. The niobium ore 'pyrochlore' has been found in abundance at Chiriguelo, both at surface and in historic drilling. Worldwide production of niobium is limited, with the main production occurring in Brazil at deposits geologically similar to Chiriguelo.

In 2010, the Company conducted initial surface sampling that verified high niobium concentrations in an area measuring 600m by 150m within the central carbonatite body. Abundant concentrations of rare earth oxides ("REOs") have also been located at surface and in trenches at the Chiriguelo deposit. The anomalous area of REO was enlarged to an area measuring approximately 2000m by 2000m by the work conducted in Q2 and Q3 of 2011. On Sept 27, 2011, the Company announced preliminary TREO results of the Chiriguelo sampling programme, summarized below.

46 rock samples were collected at surface through the target area.

- The average for all these rock samples was 0.93 % Total Rare Earth Oxides (TREO).
- The average for the upper quartile for rock samples was 2.53% TREO.
- The highest concentration recorded in rock samples was 5.89% TREO.

100 soil samples were collected over a regular grid though the anomalous area.

- The average for all these soil samples was 0.298 % TREO.
- The average for the upper quartile for soil samples was 0.77% TREO.
- The highest concentration recorded in soil samples was 1.41% TREO.

Considering only the upper quartile set of rock samples, the distribution of the major REOs within the TREO value was: 50.94% Cerium (Ce), 36.27% Lanthanum (La), 7.86 Neodymium (Nd), 3.83% Praseodymium (Pr), 0.67% Yttrium (Y) and 0.43% Samarium (Sm). The assays were conducted by ALS Minerals in Peru employing lithium borate fusion followed by acid dissolution and ICP-MS analysis.

At the close of Q3-2011, the following ground work had been accomplished: 200 km of ground magnetometer surveys, 965 soil samples, 121 rock chip samples and 30 stream sediment samples. The Chiriguelo evaluation programme will continue through Q4, with continued mapping, soil sampling and radiometric surveys, in order to evaluate the mineral potential of the concession.

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

The Company holds a 100% interest in the six Tendal mineral concessions, comprising two land parcels totalling approximately 36,000 hectares. The Tendal zinc, copper, lead and silver property is located in the province of La Rioja in northwestern Argentina and is accessible by all-season gravel road.

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

On August 31, 2010, the Company optioned this project to Votorantim-Metais Argentina S.A. ("Votorantim") for a three year period, extendable to six years. Details of the agreement stipulate a minimum exploration expenditure of US$500,000 in the first year of the agreement and, in addition to the exploration expenditures, US$50,000 annual cash payments to the Company during the joint venture period. The agreement also stipulates that Votorantim has an additional option to earn a 19% further interest in the property (thus 70% total) by solely funding development to the completion of the feasibility study during another period of three years. Votorantim has 60 days from the exercise date of the initial option to elect this additional interest.

The first year of the option agreement concluded on August 31, 2011 at which time Votorantim had invested US$ 953,017 in exploration and related expenses at this project. The exploration work accomplished at the project included:

- four drill holes totalling 424.3m. This programme was aborted due to multiple technical difficulties suffered by the contractor.
- geologic mapping at 1:2000 scale,
- sampling and systematic mapping at 1:200 scale,
- collection and analysis of 57 sediment samples, 64 fine tallus samples and 1117 rock samples,
- ground geophysics consisting of 24.95 line-km of magnetometer surveys, 12.2 line-km of spontaneous-potential surveys and 14.55 line-km of induced polarization/resistivity surveys.

Votorantim has opted to continue with the option in the second year with new geophysics and drilling planned to begin in Q4-2011.

Financial Review

Summary of quarterly results
(Note: 2009 data is stated under Canadian GAAP)

Financial Results	Sept. 30 2011	June 30 2011	March 31 2011	Dec 30 2010	Sept. 30 2010	June 30 2010	March 31 2010	Dec. 31 2009	Sept. 30 2009
Net income (loss) ($ 000's)	(500)	(468)	(598)	7,031	(1,627)	(423)	(364)	1,363	(425)
Total comprehensive income (loss) for the period ($ 000's)	150	(90)	11	5,544	(212)	7	(959)	1,363	(425)
Basic & diluted income /(loss)per share	$ (0.01)	$ (0.01)	$ (0.01)	$ 0.06	$ (0.02)	$ (0.01)	$ -	$0.02	$(0.01)

Consolidated Operating Results

This section should be read in conjunction with unaudited Interim Condensed Consolidated Financial Statements of Income and Comprehensive Income for the nine months ended September 30, 2011 and 2010 and the notes associated therewith. All references to 2011 and 2010 refer to those periods ended September 30 unless otherwise stated. The Company does not have any material revenues as it is an exploration and development company.

For the three month period ended September 30, 2011 compared to the same period the previous year, the Company reported $1,127,256 lower loss due mainly to the write down of mineral properties in 2010 ($1,179,090). A higher cash balance resulted in $31,083 additional interest income compared to the same period in 2010. Administrative expenses were $102,043 higher than same period last year. This difference is explained mainly by: a) 4,700,000 warrants that were extended for a one-year period where the incremental fair value resulted in a charge to warrant modification expense of $226,070; offset by b) share-based payments expense were lower by $174,439; and c) project generation expenses decreased by $31,470 due to a $50,000 payment received from our JV partner, Votorantim-Metais Argentina S.A., on the Tendal project,

Other comprehensive income was $764,834 lower in the three month period ended September 30, 2011 compared to the same period last year as a result of two factors: the unrealized gain on the Lithium Americas Corp. shares held for sale with an offset in foreign exchange gains due to a stronger Canadian dollar.

The Company reported a loss for the nine months ended September 30, 2011 of $1,565,018 compared to a loss of $2,413,924 for the comparable nine months in 2010. Majority of the difference is attributable to a write down of mineral properties ($1,179,862) registered in 2010 offset by an increase in administrative expenses ($439,488) in 2011. Administrative expenses were higher as a result of increased consulting fees ($176,760) incurred for strategic purposes, increase in shareholder relations costs ($91,689) attributable to the utilization of a new investor relations program and an increase in warrant modification expense ($226,070) due to 4,700,000 warrants that were extended for an additional year. Other significant changes included an increase of $72,970 in interest income attributable to higher cash balances.

Other comprehensive income was $8,694,767 lower than the same period in 2010, as the 2010 period recorded a gain on the market value of investments held for sale of $10,760,450 with an offset in foreign exchange gains in the current nine months period of approximately $1,635,313 attributable to a strong Canadian currency.

LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with the unaudited Interim Consolidated Statement of Financial Position and unaudited Interim Statement of Shareholder's Equity as of September 30, 2011. The comparative information has been restated under IFRS for the statement of financial position as at December 31, 2010.

As at September 30, 2011, the Company had cash resources of $8,063,079. The Company anticipates that these resources will be sufficient to complete the development of the Company's projects plans over the next 12 months. The priority project for the use of the funds is the continuation and expansion of the Paso Yobai Discovery and Valientes Trends and the development of the potential of the Chirguelo project.

Consolidated assets were $21,219,162 at September 30, 2011 compared to a December 31, 2010 balance of $20,265,957. Cash and cash equivalents declined to $8,063,079 from $13,728,531 with the acquisition of property rights and exploration costs increasing to $11,009,299 in 2011 from $6,170,680 as at December 31, 2010. Office and field equipment was $1,711,303 at September 30, 2011 increasing from $223,026 as at December 31, 2010 primarily as a result of preparing for the implementation of a bulk sampling plant by acquiring $1,568,263 of additional equipment in the period.

Consolidated liabilities were $567,363 as at September 30, 2011 as compared to $305,997 at December 31, 2010. The increase in liabilities was in part caused by the increased activity level in travel, trade shows, and IFRS-related costs.

The Company manages capital based on project requirements being fundable from ongoing working capital and considering additional financings required to provide sufficient funds to maximise investment within exploration and development activities. Such additional financings are contemplated within the context of minimizing share dilution.

The current funding of the Company, provided in 2010, was largely comprised of the funds from monetizing the investment in Lithium Americas Corp., a departure from past financing activities as that source of funds was not previously available to the Company.

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

	Number of Shares	Amount
Authorized:		
Unlimited common shares without par value		
Issued and fully paid:		
Balance as at December 31, 2009	74,500,751	$18,587,227
Acquisition of mineral property – Paso Yobai	906,071	253,700
Exercise of options	1,097,182	398,990
Private placement	10,000,000	1,118,491
Share issue costs	-	(192,094)
Balance as at December 31, 2010	86,504,004	$20,166,314
Exercise of warrants	620,000	211,484
Exercise of options	31,250	13,125
Balance as at September 30, 2011	87,155,254	$20,390,923
Exercise of warrants	480,000	144,000
Exercise of options	301,250	93,575
Balance as at November 22, 2011	87,936,504	$20,628,498

The Company has warrants outstanding for 10,393,306 shares and options outstanding for 7,816,500 shares at November 22, 2011.

TRANSACTIONS WITH RELATED PARTIES

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

a) $87,800 (September 30, 2010 - $76,600) in director fees to directors of the Company.

b) $104,181 (September 30, 2010 - $131,138) in legal fees to a law firm, Gowling Lafleur Henderson LLP, of which a partner is a director of the Company. As at September 30, 2011, the amount of $14,383 (September 30, 2010 - $14,857) remained unpaid and was included in accrued liabilities.

c) $44,079 (September 30, 2010 - $46,970) to a director of the Company pursuant to a service contract. As at September 30, 2011, the amount of $4,193 (September 30, 2010 – nil) remained unpaid and was included in accrued liabilities.

d) $83,635 (September 30, 2010 - $54,000) in contract fees paid to the CFO of the Company pursuant to a service contract.

e) $91,082 (September 30, 2010 - $5,145) in fees paid to the CEO 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.

CRITICAL ACCOUNTING ESTIMATES

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

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

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

FINANCIAL AND OTHER INSTRUMENTS

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

CHANGES IN ACCOUNTING POLICIES

The Company implemented no new policies in the current quarter.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

RISKS AND UNCERTAINTIES

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

Some of the possible risks include the following:

The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates. Currently, the Company's portfolio of exploration properties has exposure to predominantly gold, lead, zinc, copper, silver and diamonds. The prices of these commodities greatly affect the value of the Company and the potential value of its properties and investments.

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

The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. Management has been successful in accessing the equity markets in the past, but there is no assurance that such sources will be available on acceptable terms in the future.

Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.

The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs. The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenses.

The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed or impugned. Although the Company has investigated its title to the mineral properties for which it holds concessions or mineral leases or licenses, there can be no assurance that the Company has valid title to such mineral properties or that its title thereto will not be challenged or impugned. For example, mineral properties sometimes contain claims or transfer histories that examiners cannot verify. The Company does not carry title insurance with respect to its mineral properties. A successful claim that the Company does not have title to a mineral property could cause the Company to lose its rights to mine that property, perhaps without compensation for its prior expenditures relating to the property. In addition, surface access to mineral properties can sometimes be difficult and may require negotiating access rights with the surface owner or reliance on legal processes, both of which can be time consuming and expensive.

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

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