



LATIN AMERICAN  
MINERALS INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For The Six Months Ended**  
**June 30, 2009**

## **INTRODUCTION**

The following discussion of performance and financial condition should be read in conjunction with the Unaudited Financial Statements of the Company for the Six Months Ended June 30, 2009. The Company's Financial Statements are prepared in accordance with Canadian GAAP. The Company's reporting currency is Canadian dollars unless otherwise stated. The date of this Management's Discussion and Analysis is August 27, 2009.

## **DESCRIPTION OF BUSINESS**

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

The Company is an exploration company focussed on the discovery, acquisition and development of base and precious metals projects in under-explored but highly prospective countries of South America.

On August 11, 2009 David Wahl resigned as President and CEO and as a director of the Company. In addition, Michael Brown resigned as Executive Chairman and as a director of the Company. The Company wishes to thank both Mr. Wahl and Mr. Brown for their dedicated service to the Company. In the near term, operations will be run by Dr. Waldo Perez Phd. , interim President and CEO, and, in Toronto, by Ray Mitchell C.A., CFO.

## **MINERAL PROPERTIES**

### *Description*

#### **General:**

The Company is a mineral exploration company focussed on the discovery, acquisition and development of potential mineral deposits in Latin America. Currently, the Company has active exploration projects in Paraguay. Its Paso Yobai gold project and Itapoty diamond project are located in Paraguay. During this reporting period, the details of material exploration results on these projects have been presented in several press releases. All of the properties are at various stages of exploration.

### **Paso Yobai Gold Property**

The Paso Yobai Gold Property covers approximately 15,300 hectares in eastern Paraguay. It is our most advanced exploration project having completed airborne electromagnetic and magnetometer surveys, a soil geochemical survey, a ground magnetometer survey, extensive trenching and sampling program and 5,000 metres of diamond drilling. This work confirmed the discovery of a new gold camp at Paso Yobai. Highlights of the exploration results include the discovery of a regional gold bearing structure 6 kilometres long outlined by a linear magnetic feature and a strong core gold soil geochemical anomaly measuring 200 metres wide and 5,000 metres long. The gold values defining the core soil anomaly range from 76 to 1,100ppb gold. A total of 5,000 metres of diamond drilling has been completed on the Property, The initial 2,000 metres of diamond drilling was completed in Q-4, 2007 and included the discovery hole DDH-LAT-11, which intersected 6.5

---

metres averaging 26.64gpt gold, which included two bonanza intersections of 138.39gpt gold and 105.51gpt gold over 0.5 metres. Currently, twenty (20) holes define the Discovery Zone, which has been traced along strike for approximately 2,000 metres.

Within the Discovery Zone there is one large trench encompassing 500m in length, 50 m wide and 30 m deep by local artisan miners. Over 200 rock chip samples were collected from these pits and returned assays from 1 gpt gold to 108 gpt gold. Sampling widths ranged from 0.5 to 2 metres, determined by the narrow artisanal workings. High grade samples grading over 10 gpt gold are associated with calcite, ankerite and minor quartz stockwork hosted in a diabase and disseminated silica-kaolin hosted in the sandstone of the wall rock. Low grade samples consist of sandstones or diabase with minor veining.

LAT has excavated eleven (11) large trenches at 100 meter intervals across a 1,000 metre section of the Discovery Zone. The trenches are approximately 10 metres wide, 15 metres deep and 40 metres long and are designed to expose the gold bearing zone for mapping and bulk sampling. The trenching exposed coarse visible gold in a new zone not previously recognized in diamond drilling. The gold occurs in brecciated sandstone, which defines the contact zone between the mafic alkalic dyke and the host sandstone, extending into the hanging wall and footwall for up to 5 metres.

Results in Trenches 1 to 7 show a high grade zone exposed in Trench 1 ("T1"), reporting 21.47 gpt Au over 0.5 metres. The zone continues in T2, reporting 61.38 gpt Au over 0.5 metres, 10.08 gpt Au over 0.5 metres in T3, 34.79 gpt Au over 0.6 metres in T4, 55.51gpt Au over 1.0 metre in T5, 7.0 gpt Au over 0.7 metres in T6, and 18.48 gpt Au over 1.3 metres in T7. This continuous high grade zone is surrounded by one or possibly two lower grade shoots, producing a weighted average grade of 8 gpt Au over 7.5 metres in T2 and 11.47 gpt Au over 2.8 metres in T7. The trench results are geologically equivalent to the drilling results published in our January 16<sup>th</sup> 2008 press release of the Discovery Zone, suggesting the gold mineralization is continuous along strike and to depth.

Trenches 8, 9 and 11 show lower results, as most of the gold bearing zone has been extracted by artisan miners, depleting the high grade shoots down to the bottom of the trenches (about 15 metres). Further excavating to a depth of 25 metres will be carried out to confirm gold mineralization below the level of the artisan working. Drilling results under these trenches returned 12.52 gpt Au over 6 metres, indicating that the gold mineralization continues at depth.

On May 22, 2009, Latin American Minerals Inc. reported that it had completed an eleven hole, 1,380 metre diamond drill program at Paso Yobai. All of the holes intersected the gold bearing host rock and wall rock alteration associated with gold deposits. Gold was intersected in all holes with values ranging from 100 ppb to 111.15 gpt Au over widths ranging from less than 0.5 metres to 3.8 metres. The most economically significant hole was DDH-LAT-43 which intersected 1.27 metres (from 84.50m to 85.77m) averaging 45.30 gpt Au, including 0.48 metres averaging 111.15 gpt Au, which contains visible gold.

DDH-LAT-43 is located 100 metres northeast along strike from the discovery hole DDH-LAT-11 drilled in 2007 that intersected 6.5 metres averaging 26.64 gpt Au, including 0.5 metres averaging 138.38 gpt Au, 4.0 metres averaging 43.08 gpt Au and 0.5m averaging 105.51 gpt Au.

Based on the encouraging exploration results, management believes the project has excellent exploration potential and has quantified this potential by defining a Potential Mineral Deposit at Paso Yobai. Latin American Minerals estimates the 1,200 metre long Discovery Zone may contain

---

a Potential Mineral Deposit ranging from 450,000 to 900,000 tonnes with grades ranging from 4.0 to 7.0 gpt gold. By extension, the entire Paso Yobai gold trend, which has been continuously traced along strike for 8 kilometres could host a Potential Mineral Deposit ranging between 3,500,000 and 7,000,000 tonnes of similar grade.

The majority of the exploration activity was completed on the Discovery Zone, which has been traced along strike for approximately 1,200 metres and is open along strike to the northwest and southeast. Results of this work included:

- Excavation of 11 trenches: the average grade of the samples collected across the high grade lenses exposed in Trench 1 through Trench 7 is 23.08 gpt Au over an average width of 0.93 metres. Trenches 8, 9 and 10 were excavated in areas already disturbed by local miners and returned lower gold values.
- Drilling of 19 holes: the weighted average grade of the high grade lenses intersected in the drilling is 7.0 gpt Au over 2 metres, containing a high grade core traced along strike for 200 metres averaging 29.6 gpt over 3.8 metres.

The potential quantity and grade of the Potential Mineral Deposit is conceptual in nature as there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

The Company has spent the time subsequent to these results in examining alternative means of further developing the property.

### **Salares Potash-Lithium Project**

The Salares Potash-Lithium Project is located on the Puna Plateau in northwest Argentina, adjacent to the border with Chile. On June 11, 2009, the Company announced it was transferring the Project to Lithium Americas Corp. ("LAC"). The property was transferred for 8,400,000 shares of LAC, representing approximately 31% of the outstanding shares of that company as of July 31, 2009 plus a promissory note for \$1,000,000. On the raising of funds from a brokered private placement, \$300,000 of the note is due (paid in August 2009) and the balance is due when LAC completes an Initial Public Offering. The Company anticipates a further brokered private placement announced by LAC will reduce the interest of the Company in LAC to approximately 20%.

### **Itapoty Diamond Project**

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

Diamonds were initially found in the region by local prospectors panning for gold in the 1960s. Some years later, De Beers collected 4 stream samples from the region, of which one contained 6 diamonds and all contained kimberlite indicator minerals ("KIMs"). The Corporation has collected 177 stream sediment samples at various locations in the region of the initial discovery; 12% of the samples contained diamonds and 53% of the samples contained Kimberlitic Indicator Minerals ("KIMs"). The diamonds are champagne to brilliant white, slightly abraded and several exhibit exceptional crystal structures suggesting minimal alluvial transport. Microprobe work has been

completed on the chrome spinels and they were found to fall within the kimberlite stability field. Microprobe work on the garnets is being scheduled.

Regionally, this area is part of the diamond rich Alto Paranaiba Igneous Province ("APIP") of Southern Brazil.

A ground magnetometer survey over the potential source area commenced in August 2008 and is continuing. The results of the survey have defined a northerly trending magnetic anomaly interpreted to be a major rift system which cuts across the Property. The survey has also identified isolated magnetic anomalies associated with this structure, exhibiting similar size and shapes of kimberlite pipes.

In February 2009, prospecting in the headwaters area of three diamondiferous stream resulted in the discovery of intensely altered fragmental rocks within the host sandstones, indicating proximity to the source of 40 macro-diamonds discovered on the Property. Please see February 26, 2009 press release for photographs of the diamond and fragmental rock discovered.

This important discovery resulted from stream sediment sampling, ground magnetic survey and prospecting.

**Stream Sediment Sampling:**

During the stream sediment sampling program 177 samples were collected 12% of the samples contained diamonds and 53% of the samples contained Kimberlitic Indicator Minerals. Results include:

- 40 white, yellow and champagne macro-diamonds from 0.1 to 0.5 carats
- Kimberlite Indicator Minerals confirmed by microprobe analysis to be G-9 and G-10 garnets and chrome spinel, which fall within the diamond stability field.

**Ground Magnetometer Survey:**

A ground magnetometer survey is currently ongoing under the supervision of Mr. John Kieley, P.Geo, LAT's independent consulting geophysicist and "Qualified Person". Mr. Kieley, formerly chief geophysicist for Barrick, provides QA/QC and interpretation of the survey results. To date 490 line kilometers have been completed along grid lines trending N-S established at 100 and 250m intervals. The survey identified:

- Structurally controlled and isolated circular magnetic anomalies characteristic of diatreme intrusives
- Magnetic anomalies coincident with topographic depressions at the headwaters of the diamond bearing streams.

**Prospecting:**

Prospecting of the stream beds discovered 3 individual and distinct occurrences of an altered fragmental rock in the headwater area of three diamond bearing streams.

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

This property is located in the Province of La Rioja, Argentina. The Property is wholly owned and covers approximately 36,400 hectares. Given the dramatic drop in the base metal prices the project has been placed on care and maintenance until prices improve.

In May 2009, the Company announced a proposed option of the property; however, agreement was not reached on this transaction and in August the proposal was terminated.

**Resources**

The Company has approximately \$0.9 million in cash on hand and has announced a private placement of \$1,500,000 to close in late August 2009. These funds ensure the Company is in a financial position to meet its obligations and when augmented with anticipated project funding will provide the resources to further its projects.

Currently, the Corporation is focused on its core assets which are the Paso Yobai Gold and Itapoty Diamond projects. Expenditures on these projects are closely monitored and are restricted to specific efforts likely to create and increase shareholder value.

**LATIN AMERICAN MINERALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Six Months Ended June 30, 2009

***Exploration Expenditures by Quarter***

<b>LA CAROLINA GOLD PROJECT</b>				
<b>EXPENDITURES BY QUARTER</b>				
<b>Quarter Ended</b>				
	June 30/09	March 31/09	Dec. 31 /08	Sept. 30/08
Land mgmt and acquisition	\$ -	\$ -	\$ 3,639	\$ -
Personnel	-	-	(930)	750
Drilling roads, trench	-	-	177,012	-
Other	-	-		-
	\$ -	\$ -	\$ 179,721	\$ 750

This project was joint-ventured in 2008 but as a result of anti-mining legislation in the province, all activity has been ceased and the project has been written off.

<b>TENDAL ZINC/COPPER PROJECT</b>				
<b>EXPENDITURES BY QUARTER</b>				
<b>Quarter Ended</b>				
	June 30/09	March 31/09	Dec.31/08	Sept. 30/08
Land mgmt and acquisition	\$ -	\$ -	\$ 49,170	\$ 4,332
Personnel	-	-	8,041	21,441
Drilling roads, trench	-	-	323,411	26,655
Other	-	-	4,087	8,074
	-	-	384,709	\$ 60,502

The Company completed a drilling programme in the third quarter of the previous year and after evaluating the results in conjunction with the then current price of zinc, management determined to place the property in care and maintenance and to write the project down to \$1.

<b>PASO YOBAI GOLD PROJECT</b>				
<b>EXPENDITURES BY QUARTER</b>				
<b>Quarter Ended</b>				
	June 30/09	March 31/09	Dec. 31 /08	Sept. 30/08
Land mgmt and acquisition	\$ 414,116	\$ 28,287	\$ (4,361)	\$ 351,046
Personnel	144,167	117,780	154,005	170,069
Drilling roads, trench	295,805	129,708	195,545	198,859
Other	40,488	24,151	46,422	31,264
	\$ 894,756	\$ 299,926	391,611	\$ 751,238

The results of drilling and trenching have been under review while concurrently methods of financing the project have been investigated.

**LATIN AMERICAN MINERALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Six Months Ended June 30, 2009

<b>ESMERALDA GOLD PROJECT</b>				
<b>EXPENDITURES BY QUARTER</b>				
<b>Quarter Ended</b>	<b>June 30/09</b>	<b>March 31/09</b>	<b>Dec. 31 /08</b>	<b>Sept. 30/08</b>
Land mgmt and acquisition	\$ -	\$ -	\$ ( 770)	\$ 12,940
Personnel	-	-	(2,352)	103,208
Drilling roads, trench	-	-	(10,829)	41,208
Other	-	-	(19)	544
	\$ -	\$ -	(13,970)	\$ 157,900

It was determined the property's potential is limited, and consequently was written off in 2008.

<b>SALARES POTASH-LITHIUM PROJECT</b>				
<b>EXPENDITURES BY QUARTER</b>				
<b>Quarter Ended</b>	<b>June 30/09</b>	<b>March 31/09</b>	<b>Dec. 31 /08</b>	<b>Sept. 30/08</b>
Land mgmt and acquisition	\$ -	\$ 16,588	\$ 5,998	\$ 26,424
Personnel	-	61,129	75,951	39,177
Drilling roads, trench	-	53,845	62,264	18,773
Other	-	2,109	3,961	5,541
	\$ -	\$ 133,671	\$ 148,174	\$ 89,915

The Company sold the project to Lithium Americas Corp. in the June 09 quarter to facilitate financing the development of the project.

<b>ITAPOTY DIAMOND PROJECT</b>				
<b>EXPENDITURES BY QUARTER</b>				
<b>Quarter Ended</b>	<b>June 30/09</b>	<b>March 31/09</b>	<b>Dec. 31 /08</b>	<b>Sept. 30/08</b>
Land mgmt and acquisition	\$ 12,034	\$ 4,342	\$ 7,553	\$ 1,985
Personnel	59,664	57,272	63,809	17,964
Drilling roads, trench	25,102	80,171	32,436	6,000
Other	241	483	73	-
	\$ 97,041	\$ 142,268	\$ 103,871	\$ 25,949

The company continues to search for the source of diamonds discovered on the property.

## **RESULTS OF OPERATIONS – CURRENT PERIOD**

The Company recorded a profit of \$504,321 for the second quarter compared to a loss of \$ 494,759 in the second quarter of the previous year. The source of the profit was the sale of the Salares Lithium-Potash project for a profit of \$1,702,688. The losses for the quarters excluding this item and foreign exchange and interest income were \$668,000 and \$905,486 respectively. This variance of \$237,486, was a result of the \$171,053 decline in stock based compensation costs, a decline in consulting costs of approximately \$50,000 and a decline in administrative expenses of approximately \$80,000 that offset the increase in professional fees of approximately \$34,000. The decline in costs reflects the reduction in operational activities during the slower economic period in 09, as the Company pursued financing.

Similarly, for the six month period, compared to 08 the operating loss declined by \$783,000. This reduction in loss was the result of a \$135,000 decline in administrative expenses, a \$41,000 decline in consulting fees, a decline in professional fees of \$68,000 a \$40,000 reduction in salaries and a \$568,000 reduction in stock based compensation cost.

All these reductions are a result of reducing activities due to the poor economic climate while pursuing financing for the projects.

## **OTHER EXPENDITURE ACTIVITY**

The project expenditures have been significantly reduced in the new year as drilling has been in abeyance and the Company's response to the economic climate has resulted in curtailed expenditures while reviews of project financing alternatives have been under consideration. Exploration costs on the Paso Yobai and Itapoty projects approximated \$992,000 for the quarter compared to \$442,000 for the previous quarter but backing out an increase in land costs of \$394,000 the increase was only about \$150,000 representing an increase in trenching costs on the Paso Yobai project. The previous year exploration costs were approximately \$3,100,000 for the six months compared to approximately \$1,100,000 this year, again reflecting the reduced activities in particular high drilling costs in the Tendal project where no funds were expended in 2009.

**LATIN AMERICAN MINERALS INC.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Six Months Ended June 30, 2009

**SELECTED QUARTERLY FINANCIAL DATA (\$000's)**

	June 30 2009	Mar. 31 2009	Dec. 31 2008	Sept. 30 2008	June 30 2008	Mar. 31 2008	Dec. 31 2007	Sept.30 2007
<b>Financial results</b>								
Net profit (loss) for the period	504	(562)	(1,244)	(4,737)	(494)	(704)	(944)	(3,025)
Basic and diluted loss per share	\$ 0.01	\$(0.01)	\$(0.02)	\$(0.09)	\$(0.01)	\$(0.02)	\$(0.03)	\$(0.07)
Net loss excluding gain on sale of property	(668)							
Basic and diluted loss per share	\$(0.01)							
<b>Balance Sheet data:</b>								
Cash	980	2,998	3,992	5,284	3,470	5,645	7,924	8,900
Mineral Properties	6,681	6,061	5,485	4,841	7,720	5,614	3,540	1,906
Total Assets	10,281	9,833	10,295	11,649	12,774	12,640	12,668	11,823
Shareholders' Equity	9,987	9,431	9,942	11,245	12,212	11,935	12,039	11,371

**CAPITAL RESOURCES**

The Company is engaged in examining the alternative methods of further developing its properties given the significant deterioration in the capital markets that built up through the third trimester of 2008 and that has continued in to 2009. By exchanging the Lithium/Potash project for cash and shares, and raising funds through a private placement (see share capital and subsequent events) the Company has assured adequate funding to meet its obligations for the next 12 months.

**LIQUIDITY**

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.

As at June 30, 2009, the Company had working capital of \$2,125,000 which included cash of \$980,000.

**OUTSTANDING SHARE DATA**

	Shares	\$
Balance December 31, 2007	47,071,375	\$13,876,560
Issued on exercise of warrants	1,533,000	570,180
Issued by private placement	13,378,001	4,013,400
Share issue costs		(532,557)
Attributed to warrants		(883,722)
Issued for interest in mineral properties	389,149	249,059
Balance December 31, 2008, June 30 and August 27, 2009	62,371,525	17,292,920

The Company has warrants outstanding for 7,357,902 shares and options outstanding for 6,093,500 shares at June 30, 2009. If exercised, cash of approximately \$7,184,740 would be received.

### **TRANSACTIONS WITH RELATED PARTIES**

During the period the Company incurred the following related party transactions

- a) Director's fees of \$75,600.
- b) Legal fees of \$166,931 to a legal firm, Gowling Lafleur Henderson LLP, of which a director is a partner.
- c) \$80,000 in consulting fees and expenses to a company, Southampton & Associates, owned by a director of the Company.
- d) \$59,665 in consulting fees and salary paid to a director of the Company.
- e) \$62,915 in consulting fees paid to an officer of the Company.

### **COMMITMENTS**

The Company had no significant commitments at the period end.

### **CRITICAL ACCOUNTING ESTIMATES**

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

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

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

## **FINANCIAL AND OTHER INSTRUMENTS**

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

## **CHANGES IN ACCOUNTING POLICIES**

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

## **OFF-BALANCE SHEET ARRANGEMENTS**

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

## **RISKS AND UNCERTAINTIES**

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

Some of the possible risks include the following:

- (a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates. Currently, the Company's portfolio of exploration properties has exposure to predominantly gold, zinc, silver and lead. The prices of these metals greatly affect the value of the Company and the potential value of its properties and investments. This, in turn, greatly affects its ability to form joint ventures and the structure of any joint ventures formed. This is due, at least in part, to the underlying value of the Company's assets at different metals prices.
- (b) The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. Management has been successful in accessing the equity markets in the past, but there is no assurance that such sources will be available on acceptable terms in the future.

- (c) Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.
- (d) The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs. The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenses.
- (e) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to undertake its exploration and development activities in the future.
- (f) Exploration and development is considerably riskier and ownership interests are less secure in developing countries where the Company operates. Exploration is presently carried out in Paraguay. This activity exposes the Company to risks that may not otherwise be experienced if all operations were domestic. Political risks may adversely affect the Company's existing assets and operations. Real and perceived political risk in some countries may also affect the Company's ability to finance exploration programs and attract joint venture partners, and future mine development opportunities.
- (g) Business is transacted by the Company in a number of currencies. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. A significant portion of the Company's cash and cash equivalents has been held in U.S. dollars. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.
- (h) The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.
- (i) Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed or impugned. Although the Company has investigated its title to the mineral properties for which it holds concessions or mineral leases or licenses, there can be no assurance that the Company has valid title to such mineral properties or that its title thereto will not be challenged or impugned. For example, mineral properties sometimes contain claims or transfer histories that examiners cannot verify. The Company does not carry title insurance with respect to its mineral properties. A successful claim that the Company does not have title to a mineral property could cause the Company to lose its rights to

mine that property, perhaps without compensation for its prior expenditures relating to the property.

- (j) Mineral exploration and exploitation involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of some properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining, or to upgrade existing infrastructure. There can be no assurance that the funds required to exploit any mineral reserves and resources discovered by the Company will be obtained on a timely basis or at all. The economics of exploiting mineral reserves and resources discovered by the Company are affected by many factors, many outside the control of the Company, including the cost of operations, variations in the grade of ore mined and metals recovered, price fluctuations in the metal markets, costs of processing equipment, and other factors such as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. There can be no assurance that the Company's mineral exploration and exploitation activities will be successful.
  
- (k) The Company's activities are subject to wide variety of laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, protection of historic and archaeological sites, mine development and protection of endangered and protected species and other matters. The Company is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. These permits relate to virtually every aspect of the Company's exploration and exploitation activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

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 on forward-looking statements.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

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

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

## **DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

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

## **OTHER INFORMATION**

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **CAUTION REGARDING FORWARD LOOKING STATEMENTS**

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

prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Investors are cautioned against attributing undue certainty to forward-looking statements.

Historic estimates contained herein do not meet the definition of Mineral Resources as contained in National Instrument 43-101 of the Canadian Securities Administrators. Furthermore, neither the Company nor the Qualified Person has reviewed any of the reports or exploration results underlying such estimates and accordingly, such estimates (and any assumptions underlying such estimates) have not been independently verified. As a result, there can be no assurance that such historic estimates are reliable, or that such estimates are indicative of any mineralization which would meet the criteria of Mineral Resources as defined in accordance with National Instrument 43-101. Consequently, no reliance should be placed upon these historical estimates. However, the Company believes that these historical estimates may be indicative of the potential for mineralization on these properties.

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.

## **CORPORATE INFORMATION**

Head Office: 357 Bay Street, Suite 602  
Toronto, Ontario  
M5H 2T7

Directors: Paul Fornazzari Theodore Freedman  
Harvey McKenzie Waldo Perez  
Patricia Sheahan

Officers: Waldo Perez, interim President and CEO  
Raymond E. Mitchell, CFO  
Waldo Perez, Sr. V.P. Exploration  
Paul Fornazzari, Corporate Secretary

Auditor: Ernst and Young LLP  
222 Bay Street  
Toronto, M5J 1A1

Transfer Agent: Computershare Investor Services  
100 University Avenue  
Toronto, Ontario M5J 2Y1

Project Offices: Argentina Paraguay  
Ricardo Videla 8046 Av Aviadores Del Chaco 2996  
La Puntilla Lujan 5505 Asuncion, Paraguay  
Mendoza, Argentina