



LATIN AMERICAN
MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Nine Months Ended
September 30, 2008

INTRODUCTION

The following discussion of performance and financial condition should be read in conjunction with the Audited Financial Statements of the Company for the nine months ended September 30, 2008. 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 November 23, 2008.

DESCRIPTION OF BUSINESS

Latin American Minerals Inc. (the "Company" or "Corporation") 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. In November 2005, the Company entered into an agreement to acquire a 75% interest in the La Carolina Property in Argentina. This was an arm's length transaction that received Exchange approval as the Company's Qualifying Transaction on April 4, 2006. Accordingly, the Company became listed on the TSX-V as a Tier 2 mining issuer under the trading symbol - LAT.

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.

In August 2008, the Company successfully raised \$4,013,400 by way of a private placement which was a bought deal co-lead by Dundee Securities Limited and PowerOne Capital Markets Limited.

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 and Argentina. Its Paso Yobai Gold project and Itapoti Diamond project (formerly referred to as the Capiibary property) are located in Paraguay, and its Salares Potash-Lithium project (formerly referred to as the Puna project) and the Tendal massive sulphide property are located in Argentina. 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 8 kilometres long outlined by a linear magnetic feature and a strong core gold soil geochemical anomaly measuring 200 meters 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, seven (7) holes define the Discovery Zone, which has been traced along strike for approximately 2,000 metres.

Within the Discovery Zone there are six (6) small pits established by local miners. Forty (40) 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 metre intervals across a 1,000 metre section of the Discovery Zone. A total of approximately 1000 samples have been collected in the trenches and results are pending for over 200 samples. 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.

Salares Potash-Lithium Project (formerly know as the Puna Project):

The Company's Salares Potash-Lithium Project is located on the Puna Plateau in northwest Argentina, adjacent to the border with Chile. The region hosts one of the largest concentrations of economic evaporite deposits in the world. Latin American's 100%-owned 84,000 hectares are strategically located on salt lakes of the Argentinean Puna including: Arizaro Property (60,314 hectares), Incahuasi Property (7,168 hectares), Pocitos Property (14,381 hectares) and Cauchari Property (1,561 hectares). The properties are within 100 kilometres of several producing mines, including:

- Salar de Atacama, owned by SQM (Sociedad Quimica y Minera de Chile S.A.), which is the world's largest lithium brine mine and a significant potash producer, located on the Chilean side of the border,
- FMC Corp.'s Fenix brine complex in Argentina which contains high uniform concentrations of lithium with low levels of other contaminants and is the fifth largest lithium producer in the world, and
- Rio Tinto's Tincalayu complex in Argentina which is South America's largest borate mining operation.

LATIN AMERICAN MINERALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Nine Months Ended September 30, 2008

The Company's exploration program consists of excavating 1-2m deep holes cutting across the salt lake crust to sample the brine underneath. A total of 64 pits have been dug and 39 of them contained brine. In order to maximize exploration success, a portable XRF gun (NITON Thermo Scientific) was used in the field to identify the most prospective potash anomalies in the crust.

The exploration team collected a total of 39 brine samples and 64 crust samples distributed in the four major salt lakes: Arizaro (35 samples), Incahuasi (32 samples), Pocitos (16 samples) and Cauchari (20 samples).

In October, the Company completed the initial sampling program on its Incahuasi, Cauchari, Pocitos and Arizaro Salt Lake Properties. The best results are summarized below;

Salt Lake Properties	Potassium* (%)	Lithium (ppm)	Boron** (ppm)	Magnesium (%)
Inca Huasi	0.94	239	105	1.33
Cauchari	0.28	489	591	0.30
Pocitos	0.25	61	200	0.08
Arizaro	0.34	72	22	0.13

Note:

*Principal Element in Potash

**Principal Element in Borax

To illustrate the potential economic significance of the sample results, the Company prepared the following table documenting the same elements from producing mines located in the three major evaporite regions in the world.

Producing Salt Lake Mines	Potassium* (%)	Lithium (ppm)	Boron** (ppm)	Magnesium (%)
Dead Sea (Jordan)	0.60	20	30	3.30
Great Salt Lake (USA)	0.65	40	60	1.00
Atacama (Chile)	1.65	1,500	640	0.96
Fenix (Argentina)	0.62	620	350	0.09

Note:

*Principal Element in Potash

**Principal Element in Borax

Potassium results from the Incahuasi Salt Lake are all above known producing mines. The Dead Sea in Jordan produces potash with 0.6% potassium (the major element of potash) in the brine, and the Great Salt Lake in Utah produces with 0.65% potassium in the brine (Plavovic, 2004, Industrial Minerals and Rocks, 2008). Collectively, 15% of the world's potash and 90% of the world's lithium is produced from brines from the Puna Plateau, the Great Salt Lake and the Dead Sea regions.

Encouraging results have also been received from the Cauchari Salt Lake. High lithium, boron and potassium grades were found in both crust and brine samples. Additionally, very low magnesium

concentration results suggest these brines are amenable to simple separation of lithium in evaporation ponds ($Mg/Li < 6$).

The exploration program will continue with evaporation testing on selected targets within each salt lake to monitor the evolution of the brine chemistry with evaporation, the porosity/permeability of the deposit and the hydrologic mass balance of the lake. We anticipate using this information to establish a resource that can move rapidly to feasibility and development. (Reference press release of October 14, 2008 for location maps and assays details).

The Company's exploration team includes Eduardo Peralta, PhD in Geochemistry, with over 40 years of experience exploring Puna for the Argentinean Geological Survey and consulting for major companies including Rio Tinto, CRA, IAMGOLD and Vale Do Rio Doce.

On November 13, 2008, the Company signed a letter of intent with a private party in Argentina to enter into an option agreement to acquire a 100% interest in 9,033 hectares of the Cauchari Salt Lake. As a result of this agreement, the Company has increased its current ownership position to 10,594 hectares, which covers approximately 75% of the entire Cauchari Salt Lake. The agreement involves escalating payments totalling US\$500,000 to be paid over 4 years, with an initial payment of US\$25,000 in the first year (reference press release of November 13th, 2008).

Itapoti Diamond Project (formerly know as the Capiibary Property):

The Itapoti Diamond property, located approximately 100 kilometres north of the Company's Paso Yobai Gold Project, covers approximately 165,000ha (1,650km²). The majority 160,000 hectares are 100% staked by the Company. On the remaining 5,000 hectares, the Company has an agreement to earn a 70% interest by making escalating cash payments totalling \$1.5 million over 4 years upon which a joint venture is to be formed. Subject to standard dilution provisions, the Company American can earn up to a 100% interest with the vendor retaining a 3% gross sales royalty. The Company renegotiated the original agreement to allow for the Company to earn a 100% interest in the property subject to a 3% net proceeds royalty and making escalating cash payments totalling \$1.5million over 4 years. The Company has the right to purchase 1% of the royalty for US \$1.0million and the second 1% of the royalty for US \$2.0million.

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"). Recently, the Company collected 16 samples at various locations in the region of the initial discovery; four samples contained diamonds and 14 contained KIMs which include chrome spinels and garnets. 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 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.

To date 106 stream samples have been collected. Twenty four (24) samples contained KIM's including chrome spinel with kimberlite signatures and three (3) samples contain suspected pyrope garnets. Thirty (30) macro diamonds (> 1mm) have been recovered within two (2) kilometres of the head waters of four (4) small streams defining four small confined drainage basins on the Property within the same geographic area measuring 2 kilometres wide and 14 kilometres long and covering approximately 28km².

The sample locations and the photographs of the diamonds are shown on the Company's web site.

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. The Company has determined that it does not have sufficient capital to develop this project at the same time as the more advanced Paso Yobai project and as a consequence has placed the property under care and maintenance and has written down the project to \$1.

Esmeralda Gold Property

The property is located in the Cauca department of southern Colombia. The property covers approximately 30,000 hectares. The initial results were encouraging however, after collecting 1100 samples and less than 2% contained significant gold and accessing an existing tunnel and obtaining sub-economic results, management has determined that the project has limited prospects for hosting a significant mineral deposit and the property was returned to the vendor.

Private Placement

As the Company disclosed in the Q-2 MD&A, the Company reported that on August 20, it closed bought deal private placement for gross proceeds of up to \$4,013,400 (the "Financing"). The Company sold 13,378,001 units (the "Units") at a price of \$0.30 per Unit. Each Unit is comprised of one common share of the Corporation and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable for one Common Share at a price of \$0.50 per Common Share exercisable for a period of eighteen months from the date of issue. Dundee Securities Corporation and PowerOne Capital Markets Limited (the "Underwriters") were the underwriters for the Financing.

In consideration for their efforts, the Underwriters were paid a commission of 5% (\$200,670) of the total proceeds raised in the Financing. In addition, the Underwriters received underwriters' warrants ("Underwriters' Warrants") entitling the holders thereof to purchase in the aggregate that number of Units of the Company which is equal to 5% (668,901) of the number of Units sold under the

LATIN AMERICAN MINERALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Nine Months Ended September 30, 2008

Financing. Each Underwriter's Warrant is exercisable to acquire one Unit until February 19, 2010 at a price of \$0.30 per Unit.

The Company plans to use the net proceeds from the Financing for working capital and general corporate purposes.

The Company has approximately \$5million in cash on hand and is in a financial position to carry out its programmes and obligations; however, the Corporation has taken major steps to reduce costs, including reduction in staff and operating costs, in an effort to preserve cash.

The Corporation is focused on its core assets which are the Paso Yobai Gold, Salares Potassium-Lithium and Itapoti Diamond projects. Expenditures on these projects are closely monitored and are restricted to specific efforts likely to create and increase shareholder value.

Exploration Expenditures by Quarter

LA CAROLINA GOLD PROJECT					
EXPENDITURES BY QUARTER					
Quarter Ended					
	Sept. 30/08	June 30/08	March 31/08	Dec. 31/07	Sept. 30/07
Land mgmt and acquisition	\$	\$ 141,798	\$ 74	\$ 2,100	\$ 50,500
Personnel	750	2,475	-		60,200
Drilling, roads, trench	-	373	534	7,000	484,000
Other	-		-	100,758	202,780
	\$ 750	\$ 144,646	\$ 608	\$ 109,858	\$ 797,480

Activity on this property was suspended and amounts expended prior to 08 were written off in 07. In 08, the property was joint-ventured; subsequently, mining was banned in the area and the balance the project has been written down to \$1.

TENDAL ZINC/COPPER PROJECT					
EXPENDITURES BY QUARTER					
Quarter Ended					
	Sept. 30/08	June 30/08	March 31/08	Dec. 31/07	Sept. 30/07
Land mgmt and acquisition	\$ 4,332	\$ 39,921	\$ 5,304	\$ 16,822	\$ 50,000
Personnel	21,441	207,844	139,768	79,356	36,400
Drilling, roads, trench	26,655	558,755	515,344	104,089	116,000
Other	8,074	16,176	18,141	308,214	63,661
	\$ 60,502	\$ 822,696	\$ 678,557	\$ 508,481	\$ 266,061

Significant delays were experienced in 07 in commencing the drilling and in 08 weather problems caused cost overruns approximating \$500,000. After results of drilling completed in the second quarter were reviewed, and the prices of the minerals that could be derived from the property were considered, it was determined to halt exploration and to write down the property.

LATIN AMERICAN MINERALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Nine Months Ended September 30, 2008

PASO YOBAI GOLD PROJECT					
EXPENDITURES BY QUARTER					
Quarter Ended	Sept. 30/08	June 30/08	March 31/08	Dec. 31/07	Sept. 30/07
Land mgmt and acquisition	\$ 351,046	\$ 108,276	\$ 195,202	\$ 689	\$ 10,000
Personnel	170,069	210,644	215,891	140,267	87,000
Drilling, roads, trench	198,859	298,039	449,423	455,416	-
Other	31,264	43,602	81,572	506,250	477,697
	\$ 751,238	\$ 660,560	\$ 1,102,622	\$ 1,102,622	\$ 574,697

Drilling was completed in the third quarter and results are under review. The Company is considering alternatives on how to advance this project for which a significant capital investment is required.

ESMERALDA GOLD PROJECT					
EXPENDITURES BY QUARTER					
Quarter Ended	Sept 30/08	June 30/08	March 31/08	Dec. 31/07	Sept. 30/07
Land mgmt and acquisition	\$ 12,940	\$ 315	\$ 58,259	\$ 13,500	-
Personnel	103,208	109,343	54,533	9,259	-
Drilling, roads, trench	41,208	75,388	94,761	-	-
Other	544	1,536	1,111	-	-
	\$ 157,900	\$ 228,476	\$ 208,664	\$ 22,579	-

This project was acquired in the fourth quarter of 2007; it has been determined the property's potential is limited, and consequently it has been written off.

SALARES POTASH-LITHIUM PROJECT					
EXPENDITURES BY QUARTER					
Quarter Ended	Sept. 30/08	June 30/08	March 31/07	Dec. 31/07	Sept. 30/07
Land mgmt and acquisition	\$ 26,424	\$ -	\$ -	\$ -	-
Personnel	39,177	-	-	-	-
Drilling, roads, trench	18,773	-	-	-	-
Other	5,541	-	-	-	-
	\$ 89,915	\$ -	\$ -	\$ -	\$ -

Work has been initiated to determine the prospects for this property. Following modest expenditures over the next two quarters, the property will be evaluated.

LATIN AMERICAN MINERALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Nine Months Ended September 30, 2008

ITAPOTI DIAMOND PROJECT					
EXPENDITURES BY QUARTER					
Quarter Ended	Sept. 30/08	June 30/08	March 31/08	Dec. 31/07	Sept. 30/07
Land mgmt and acquisition	\$ 1,985	\$ -	\$ -	\$ -	-
Personnel	17,964	-	-	-	-
Drilling, roads, trench	6,000	-	-	-	-
Other	-	-	-	-	-
	\$ 25,948	\$ -	\$ -	\$ -	\$ -
Work continues to advance this project.					

RESULTS OF OPERATIONS – CURRENT PERIOD

The Company recorded a third quarter loss of \$4,737,050 compared to a loss of \$3,024,184 in the third quarter of the previous year. The losses for the last four quarters vary significantly as a result of varied amounts of large periodic expenses such as property write-downs, stock-based compensation costs, and interest and foreign exchange losses and gains. Operationally related costs, however, are generally comparable from period to period. As shown in the table below, Operating losses have declined on a quarterly basis.

OPERATIONAL EXPENSE ANALYSIS				
EXPENDITURES BY QUARTER \$1,000'S				
Quarter Ended	Sept. 30/08	June 30/08	March 31/08	Dec. 31/07
Reported loss	4,737	494	704	948
Stock compensation	92	211	437	175
Write-down of properties	3,429	-	-	208
Interest & foreign exchange loss (gain)	740	(411)	(457)	(217)
Operating loss	476	684	724	782

The Company operated two active mining camps in the last quarter of 07 and first two quarters of 08 but reduced activities in the third quarter of 2008, particularly in the Argentina subsidiary. Given the major steps which the Company has taken to reduce staff and operating costs, activities and expenditures are anticipated to continue to decline.

OTHER EXPENDITURE ACTIVITY

During the last three quarters, the level of activity at the Paso Yobai camp has been relatively flat, running at the \$500,000 to \$700,000 level each quarter, as the camp prepared to drill last year and completed drilling in the current year. The Paso Yobai camp continues to operate but at a reduced level of activity because drilling has ceased.

The Tendal camp is under care and maintenance.

The Company is exploring alternative opportunities for developing the Paso Yobai Gold property and is defining the potential of the Salares Potassium-Lithium and Itapoti Diamond projects.

LATIN AMERICAN MINERALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Nine Months Ended September 30, 2008

SELECTED QUARTERLY FINANCIAL DATA (\$000'S)

	Sept. 30 2008	June. 30 2008	Mar. 31 2008	Dec. 31 2007	Sept.30 2007	June 30 2007	Mar. 31 2007	Dec. 31 2006
Financial results								
Net loss for the period	4,737	494	704	944	3,025	1,071	664	641
Basic and diluted loss per share	0.01	0.01	0.02	0.03	0.07	0.02	0.03	0.03
Balance Sheet data:								
Cash	5,289	3,470	5,645	7,924	8,900	11,836	2,171	2,940
Mineral Properties	4,841	7,720	5,614	3,540	1,906	2,038	850	410
Total Assets	11,649	12,774	12,640	12,668	11,823	14,350	3,310	496
Shareholders' Equity	11,245	12,212	11,935	12,039	11,371	13,576	2,744	419

COMPARISON OF NINE MONTH OPERATIONS AND CASH FLOWS

FINANCIAL DATA			
BY YEAR \$1,000's			
NINE MONTHS ENDED SEPTEMBER 30			
	2008	2007	
Cash	5,284	7,924	
Mineral properties	4,841	3,540	
Equity	11,245	12,039	
Reported loss	5,935	5,899	
Stock compensation	740	1,377	
Property write-downs	3,429	1,794	
Interest and foreign exchange loss (gain)	(128)	218	
Operating loss net of F/E. and stock comp.	1,894	2,946	
Cash flow	(2,639)	5,960	

The preceding table reflects the changes in Company's rate and type of activities and the impacts on resources and costs. The period ended September 30, 2007 reflected costs associated with operating offices in 7 locations during the year and the associated building up of the infrastructure and the raising of funds required to actively explore projects. The current year's cash outflow reflects the drilling programmes for which the cash was raised. As a result, there is a differential of \$9.6 million in cash flow between the two periods.

CAPITAL RESOURCES

On May 31, 2007, the Company completed a brokered private placement for gross proceeds of \$12,000,000 by issuing 12,000,000 units comprised of one common share and half of one common share purchase warrant. Each whole warrant entitled the holder to purchase one common share at a price of \$1.25 until May 31, 2008. The issuance costs of the placement were \$1,365,190. These funds were raised to explore the properties then currently under the exploration programmes discussed above and to acquire the Esmeralda property. The funds raised in the third quarter of

2008 were targeted to advance the properties currently under exploration programmes. The Company's financial resources are sufficient to maintain the current level of activity past the end of 2009.

In recognition of the deterioration of the capital markets the Company's management has been reviewing available actions to reduce cash outflow and protect resources. To that end the Tendal property was placed under care and maintenance and the overall administrative staff have been reduced to minimal levels. In addition, the levels of staff in Paraguay have been reduced but maintained at a level that allows the assessment of the project to continue. Expenditures at the Corporate level have been reduced and the management of the Company are engaged in examining alternative strategies to advance the projects. Costs are scheduled for quarterly reviews with the board monitoring that efforts to reduce costs are maximised.

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 September 30, 2008, the Company had working capital of \$5,759,000 which included cash and cash equivalents balance of \$5,284,000.

OUTSTANDING SHARE DATA

	Number of shares	\$
Balance, December 31, 2006	30,209,000	3,578,600
Issued for interest in mineral properties	275,375	148,838
Issued on exercise of warrants and options	4,587,000	1,817,342
Issued by private placement	12,000,000	12,000,000
Share issue costs	-	(1,365,190)
Attributed to warrants	-	(2,303,030)
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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)

LATIN AMERICAN MINERALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Nine Months Ended September 30, 2008

Attributed to warrants		(883,722)
Issued for interest in mineral properties	399,149	249,059
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Balance September 30, and November 23, 2008	62,371,525	17,292,920

The Company has warrants outstanding for 7,357,902 shares and options outstanding for 6,166,000 shares at September 30, 2008. If exercised, cash of approximately \$6,613,434 would be received and the total outstanding shares on a fully diluted basis would be 75,895,427.

TRANSACTIONS WITH RELATED PARTIES

During the period the Company incurred the following related party transactions

- a) Director's fees of \$59,600.
- b) Legal fees of \$281,245 to a legal firm, Gowling Lafleur Henderson LLP, of which a director is a partner.
- c) \$126,670 in consulting fees and expenses to a company, Southampton & Associates, owned by a director of the Company.
- d) \$115,500 in consulting fees and salary paid to a director of the Company.
- e) \$105,000 in consulting fees paid to an officer of the Company.
- f) \$168,300 is receivable from a director related to a transaction entered into on behalf of the Company to acquire shares of subsidiary located in a country that requires a domestic shareholder.

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, lead Potash, lithium 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 commodity 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 several countries, including Argentina and Paraguay. Each of these countries 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.

OTHER INFORMATION

Additional information about the Company is available on Sedar at 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.

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