



# **LATIN AMERICAN MINERALS INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS**

**FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017**

Stated in Canadian Funds

Dated on: 29 November 2017

## **LATIN AMERICAN MINERALS INC.**

**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017**

Expressed in Canadian Dollars

### **REPORT TO SHAREHOLDERS AND MANAGEMENT DISCUSSION AND ANALYSIS**

#### **TO OUR SHAREHOLDERS**

This management's discussion and analysis of the financial condition and results of operation ("MD&A") of Latin American Minerals Inc. ("Latin" or the "Company") should be read in conjunction with Latin's consolidated financial statements for the nine months ended September 30, 2017, and the Audited financial statements for the year ended December 31, 2016 and related notes therein.

Except as otherwise indicated, all financial data in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

All dollar amounts in this MD&A are reported in Canadian dollars except where otherwise indicated. As at September 30, 2017, the Company had working capital deficit of (\$683,509) and had reported a net loss of (\$1,112,496) for the nine months ended September 30, 2017, has yet to achieve profitable operations and has an accumulated deficit of (\$24,979,424). These continuing losses indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. The Company's ability to continue as a going concern is dependent upon the ability to obtain financing or to achieve profitable operations from the sale of gold derived from the processing of its stockpile of old tailings in the Company's mineral processing plant, and to ultimately to achieve and maintain profitable operations. Should profitable operations not be achieved, the Company will be required to obtain supplementary funding. The ability of the Company to achieve these objectives cannot be assured at this time and accordingly, these matters may cast significant doubt on the Company's ability to continue as a going concern. The Company's consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate, in which case adjustments that could be material to the carrying values of the assets and liabilities, the reported expenses and the statement of financial position reclassifications would be necessary.

Further information about the company, its operations and other continuous disclosure documents, including the Company's press releases and interim quarterly reports are available through its filings with the securities regulatory authorities in Canada at [www.sedar.com](http://www.sedar.com) and are also available on the Company's website [www.latinamericanminerals.com](http://www.latinamericanminerals.com).

#### **FORWARD-LOOKING STATEMENTS**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

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The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.

<b>Forward-Looking Information</b>	<b>Key Assumptions</b>	<b>Most Relevant Risk Factors</b>
Future funding for ongoing operations	The Company will be able to raise these funds	The Company has disclosed that this may be difficult and failure to raise these funds will materially impact the Company's ability to continue as a going concern

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors in the "Risk Factors" section below. Readers are cautioned that the preceding table does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its anticipated results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## CORPORATE OVERVIEW

Latin American Minerals Inc. is a gold mining and mineral exploration corporation focused on the discovery, acquisition and development of potential mineral deposits in Paso Yobai, Paraguay.

The Company is listed on the TSX Venture Exchange (the "Exchange" or "TSX-V") where it trades under the symbol "LAT".

The focus of activity in 2017 has been on reconfiguring the production and gold processing capacity at the Paso Yobai gold mining facility at the Independencia mine. Going forward the focus will be on exploring the highly prospective X-mile and discovery trend while also completing the reconfiguration of the Independencia Mine.

In November 2015, the Company consulted with John T. Boyd Company who visited the mine site and conducted an in depth study on processing and metallurgy and then presented an outline and economic model to reconfigure the existing plant to achieve 30 tonne per hour capacity to produce approximately 300 ounces of gold per month.

The Company is also exploring and testing nearby mineralized areas for possible mineralization employing the same extraction processes. Additionally, the Company will continue to advance the engineering and extraction planning for the hard-rock deposit below the current workings.

Exploration at the Paso Yobai gold project has identified six priority target areas from correlation of geological, geochemical and geophysical information. These data are consistent with Management's expectation for a large, mineralized alkaline gold system. Management continues to refine drill planning, and will continue to seek funding to advance exploration drilling from external sources, to augment the anticipated proceeds and potential revenue of its bulk sampling operation.

## **LATIN AMERICAN MINERALS INC.**

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## **REPORT TO SHAREHOLDERS AND MANAGEMENT DISCUSSION AND ANALYSIS**

### **SIGNIFICANT EVENTS AND TRANSACTIONS TO THE PERIOD**

On 2 May 2017 the Company announced a newly discovered high-grade zone at the Paso Yobai gold project. Gold mineralization was distributed over a 56 metre distance along the trend. Broad high grade intersections were recorded. Hole DDH-LAT-79 returned 37.94g/t gold over a core length of 7.34 meters.

On 3 May 2017 the Company announced a non-brokered private placement of up to 13,333,333 units at a price of \$0.12 per common share of the Company and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share for a period of 24 months from the closing of the offering at a price of \$0.15 per common share.

On 18 May 2017 the Company announced that it has closed the first tranche of its previously announced non-brokered private placement by issuing 12,445,167 units at a price of \$0.12 per unit for gross proceeds of \$1,493,420. Each unit is comprised of one common share of the Company and one Common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share for a period of 24 months from the closing of the offering at a price of \$0.15 per common share.

On 2 June 2017 the Company announced that it has closed the second tranche of its previously announced non-brokered private placement by issuing 1,508,333 units at a price of \$0.12 per unit for gross proceeds of \$180,999. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share for a period of 24 months from the closing of the offering at a price of \$0.15 per common share. In connection with completion of the offering, finders fees were paid in the amount of \$50,113 and 64,667 units and 1,082,280 non-transferable broker warrants were issued. Each broker warrant entitles holder to purchase one unit for a period of 24 months from the closing of the offering at a price of \$0.12 per common share.

On 6 June 2017 the Company announced the appointment of Mr. Mathew Wilson as President and CEO of the Company and appointment of Mr. Paul Sarjeant, VP Exploration. Mr. Wilson replaced Mr. Basil Botha as CEO and Mr. Richard Patricio replaced Mr. Botha as Chairman of the Board. The Company also announced that it granted incentive stock options to Messrs. Wilson and Sarjeant to purchase up to a total of 1,150,000 common shares at an exercise price of \$0.15 per share, vesting over twelve months in accordance with the Company's stock option plan, and subject to a term of five years.

On 18 July 2017, the Company granted 1,000,000 options to purchase common shares of the Company exercisable at a price of \$0.15 per common share for a period of 5 years.

On 18 August 2017, the Company announced high grade gold intercepts from the Discovery Trend, Temi Zone, and released a corporate update. The highlight of the drill result is a core length of 0.6m containing 24.4 g/t gold. The company also announced that they are currently exploring previously untested deep geophysical anomalies by drilling under the discovery zone. The company also announced an update on the recommissioning effort at the Independencia Mine where the company has completed both gravity and leach circuits and currently has two VAT leach pads full of approximately 5000 dry tonnes of tailings material. The company has begun the leaching process in the first VAT.

On September 11 2017, the Company announced the appointment of Dennis Logan, C.A., as Chief Financial Officer, Bira de Oliveira, P.Eng., MBA, PMP, PhD, as Chief Operating Officer and Chris Irwin, L.L.M., as Corporate Secretary. The company also announced a grant of 845,000 common shares at an exercise price of \$0.15 per share. The options expire on September 11, 2022, vest over twelve months and are subject to shareholder and regulatory approval.

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#### **SIGNIFICANT EVENTS AND TRANSACTIONS SUBSEQUENT TO THE PERIOD**

On November 1 2017, the company announced its initial trial gold pour of 149.7 grams per tonne gold. The company announced that it had moved to a VAT leach only operation and from a slurry operation to a direct loading of dry material from the tailings material to the VAT leach pads.

On November 7 2017, the company announced the appointment of Jeremy Niemi as a technical advisor. Mr. Niemi is a geologist with 20 years of experience in the resource industry, both at corporate and operational levels. Mr. Niemi was previously the Vice President, Exploration for GoldQuest Mining Corporation. The company also announced that it had engaged Brian Bengert, ex Chief Geophysicist of Vale North America, to reprocess the ten years of exploration data on the Paso Yobai Gold Project. From this the company has generated 34 new drill targets.

On November 13 2017, the company announced a non-brokered private placement of up to 20,000,000 units (“Units”) at a price of \$0.075 per Unit for gross proceeds of up to \$1,500,000 (the “Offering”). Each Unit will be comprised of one common share (“Common Share”) of the Company and one Common Share purchase warrant (“Warrant”). Each Warrant will entitle the holder thereof to purchase one Common Share for a period of sixty (60) months from the closing of the Offering at a price of \$0.10 per Common Share. The proceeds of the Offering will be used for general working capital purposes.

#### **MINERAL EXPLORATION PROPERTIES**

##### **Paso Yobai Gold Project, Paraguay**

The Paso Yobai gold project area consists of 15,020 hectares of mineral rights located near the town of Paso Yobai in the Department of Guairá, Paraguay, approximately 160 km east of the capital city of Asuncion. The project is comprised of two concession groups: the ‘Independencia Mine’, which is a permitted mining concession 99% owned by the Company (6,596 hectares), and the 100% owned prospecting licence claims (8,424 hectares) over the ‘X-Mile Trend’ geologic feature.

The project is an advanced exploration prospect held through a wholly-owned subsidiary, and is defined by: 18,690 soil samples; 44 extensive mechanical exploration trenches, 1,000m of continuous bulk-sampling excavation, and extensive geophysical data including comprehensive airborne electromagnetic and magnetometer surveys, 1,100 line-km of detailed ground magnetometer surveys, 106 line-km of CSAMT surveys, and 55 line-km of induced polarization/resistivity surveys, in addition to 85 drill holes totalling 11,367 m of diamond drilling.

##### Discovery Trend

The Company has delineated an extensive vein-like structure denoted the Discovery Trend, where gold values occur from surface to greater than 100 m depth, and extend over 2,750 m within the fully permitted Independencia Mine concession.

The Discovery Trend remains open to the northwest and to depth. CSAMT geophysical imaging has delineated prominent drill targets below the mapped trend at approximately 250 m depth. These remain undrilled but have been identified as priority targets. The Company is also investigating additional gold occurrences proximal to the trend within the permitted mining concession.

##### Independencia Mine

In February 2012, the Company commenced mineral extraction and open pit bulk-sampling over the Discovery Trend corridor. The ongoing bulk-sampling operation is intended to evaluate the grades, continuity and geological and metallurgical characteristics of the gold mineralization, and to produce gold doré from sampling to generate positive cash flow from the exploration program. To mid-2014, the processing operations had been limited to higher grade vein mineralization, milled and processed using gravitational methods, followed by smelting of doré.

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In February 2014 the Company received an expanded environmental permit for heap leach operation and in June commenced construction of a heap leach facility to augment existing operations by processing lower grade and disseminated mineralization, including approximately 180,000 tonnes of stockpiled mineralization accumulated through bulk sampling operations. The heap leach pads have now been converted to three vat leach pads under the guidance of Boyd and will process the coarse grade material after going through the gravity circuit. The company is working through the final trial steps of the operation.

#### X-Mile Trend

The X-Mile Trend is a gold geochemistry feature extending 14.8 km in length, located 3.5 km northeast of the Discovery Trend. X-Mile Trend mineral targets do not appear to be confined to linear, steeply-dipping, altered mafic dikes within bounding sandstones, thus differing in configuration from the Discovery Trend. Airborne magnetic data indicate abundant magnetic mafic rock below the full extent of the X-Mile Trend, suggestive of large formations of intrusive host rock that could be receptive to high-grade gold emplacement.

Drilling and trenching confirmed the Tacurú Block is an important gold discovery on the X-Mile Trend: Trench TRT-1 averaged 3.8 gpt gold over 30.55 m, twelve diamond drill holes totalling 1,712 m have been completed to a maximum depth of 115 m and all intersected gold mineralization.

#### **Repatriación Gold Project, Paraguay**

Through regional sampling, the Company identified and claimed a new gold prospect area of 9000 ha located 20 kilometres north of Paso Yobai. The Company will begin basic exploration when resources become available. The renewal of the exploration licence by the Vice-Ministry of Mines and Energy is still under review.

### RESULTS OF OPERATIONS

	Three Months Ended Sep-30-2017	Three Months Ended Sep-30-2016	Percentage Change	Nine Months Ended Sep-30-2017	Nine Months Ended Sep-30-2016	Percentage Change
<b>General and Administrative Expenses</b>						
General and administration	\$229,847	\$147,459	55.9%	\$737,928	\$401,096	84.0%
Non-cash compensation options	125,091	1,308,456	(90.4%)	286,038	1,308,456	(78.1%)
Investor relations	9,575	135,548	(92.9%)	53,246	177,049	(69.9%)
Depreciation	4,074	2,482	64.1%	14,745	3,087	377.6%
<b>Net operating loss for the period</b>	<b>\$368,587</b>	<b>\$1,593,945</b>	<b>(76.9%)</b>	<b>\$1,091,957</b>	<b>\$1,889,688</b>	
Interest expense	0	0		0	0	
Foreign exchange (gain) loss	(80,119)	(2,053)	3802.5%	20,539	(75,218)	(127.3%)
<b>Net loss for the period</b>	<b>\$288,468</b>	<b>\$1,591,892</b>	<b>(81.9%)</b>	<b>\$1,112,496</b>	<b>\$1,814,470</b>	<b>(38.7%)</b>
Income (loss) per share basic	\$0.00	\$0.02		\$0.01	\$0.04	

The comprehensive loss reported for the nine months ended September 30, 2017 was \$1,112,496 compared to \$1,814,470 in the comparative period. The main fluctuations in costs are as follows:

The increase in general and administrative is mainly due to increase in support activities based in Paraguay related to the development of the Paso Yobai property, specifically the increase in personnel working in and supporting the mining operations and the milling and processing plant during the recommissioning of the operations. There was also an increase in the number of personnel engaged in drilling and exploration activities.

Non-cash compensation costs decreased substantially compared to the prior period as a result of a lower number and value of stock options issued to Officers, Directors and employees of the Company as compared to the prior period.

The Company curtailed much of its investor relations activity with outside consultants during the period as members of the management team became more active in these activities during when compared to the prior period.

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The increase in net foreign exchange loss results from the fluctuation of the value of currencies in which the Company and its subsidiaries operate.

### SUMMARY OF QUARTERLY RESULTS

Three months ended	Sep-30-2017	Jun-30-2017	Mar-31-2017	Dec-31-2016	Sep-30-2016	Jun-30-2016	Mar-31-2016	Dec-31-2015
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	-	-	-	-	-	-	-	-
Profit (loss) for the period	(288,468)	(260,000)	(564,000)	(1,280,000)	(1,592,000)	(113,000)	(109,000)	(886,000)
Comprehensive profit (loss)	553,956	(1,063,000)	(427,000)	(1,029,000)	(1,414,000)	170,000	(849,000)	(565,000)
Loss per share	0.00	(0.02)	0.00	(0.01)	(0.02)	0.01	0.00	(0.12)
Total assets	20,721,199	21,609,000	21,275,000	21,480,000	22,120,000	19,473,000	18,086,000	18,957,000
Working capital (deficiency)	(683,509)	55,000	(854,000)	282,000	1,473,000	(23,000)	(648,000)	(358,000)

The comprehensive loss for the three month period ended September 30, 2017 results primarily from operations as the company attempts to bring the Paso Yobai property to production and the effects of foreign exchange on non-Canadian operations and assets.

### EXPLORATION AND EVALUATION ASSETS

	Passo Yobai	Itapoty	Total
<b>Carrying value</b>			
<b>Balance January 1, 2016</b>	<b>\$17,206,849</b>	<b>\$72,040</b>	<b>\$17,278,889</b>
Additions	1,340,325	-	1,340,325
Disposals	-	-	-
Interest capitalized	66,820	-	66,820
Amortization	267,982	-	267,982
Provision for environmental remediation	(7,480)	-	(7,480)
Write-down of mineral property	-	(70,048)	(70,048)
Foreign exchange	(12,357)	(1,992)	(14,349)
<b>Balance December 31, 2016</b>	<b>\$18,862,139</b>	<b>\$0</b>	<b>\$18,862,139</b>
Additions	1,017,995	-	1,017,995
Disposals	-	-	-
Interest capitalized	214,424	-	214,424
Amortization capitalized	185,973	-	185,973
Provision for environmental remediation	-	-	-
Write-down of mineral property	-	-	-
Foreign exchange	(1,662,766)	-	(1,662,766)
<b>Balance September 30, 2017</b>	<b>\$18,617,766</b>	<b>\$0</b>	<b>\$18,617,766</b>

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### **OUTSTANDING SHARES**

As at September 30, 2017, the Company had 85,057,700 common shares issued and outstanding. The fully diluted amount of 161,856,984 and includes exercisable options of 5,412,986 and warrants of 71,386,298.

As at the date of this report the Company had 85,057,700 common shares issued and outstanding. The fully diluted amount of 161,755,777 and includes options of 5,551,890 and warrants of 71,146,187.

### **FINANCIAL POSITION AND LIQUIDITY**

As at September 30, 2017 the Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts payable and accrued liabilities, and bank loans. The Company has no speculative financial instruments, derivatives, forward contracts or hedges.

As at September 30, 2017 the Company had a working capital deficiency of (\$683,509) compared to working capital of \$281,855 as at 31 December 2016.

The following discussion relates to the nine month period ended September 30, 2017 and compares that to the same period in fiscal 2016.

Cash used in operating activities during the nine month period ended September 30, 2017 totalled \$528,721 (Comparative period: \$931,005).

Cash used by investing activities during the nine month period ended September 30, 2017 totalled \$1,433,417 (Comparative period: \$640,050).

Cash raised in financing activities during the nine month period ended September 30, 2017 totalled \$1,258,485 (Comparative period: \$3,661,773). This results from the completion of a private placement during the current period.

### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

#### **a) Financial instrument classification and measurement**

Financial instruments of the Company carried on the Condensed Interim Consolidated Statement of Financial Position are carried at amortized cost with the exception of cash and cash equivalents, which is carried at fair value. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at September 30, 2017 and December 31, 2016 due to the immediate or short-term maturities of the financial instruments.

#### **b) Fair values of financial assets and liabilities**

The Company's financial instruments include cash and cash equivalents, short-term investments, sales tax recoverable, accounts payable and accrued liabilities, and bank loans. At September 30, 2017, the carrying value of cash and cash equivalents investments is fair value. Accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

#### **c) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. It is management's opinion that the Company is not exposed to significant credit risk arising from these financial instruments. The Company limits credit risk by entering into business arrangements with high credit-quality counterparties. Thus the credit risk associated with other receivable is also considered to be negligible.

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#### d) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to significant interest rate risk as the Company's interest bearing debt has a fixed interest rate.

#### e) Currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Company primarily operates in Paraguay and incurs certain expenditures and obtains financing in US dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the Company or subsidiary that holds the financial asset or liability. The Company's risk management policy is to review its exposure to non-Canadian dollar forecast operating costs on a case-by-case basis. The majority of the Company's forecast operating costs are in Paraguayan guaranies and Canadian dollars. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of foreign currency financial assets and liabilities in Canadian dollars as at September 30, 2017 was as follows:

#### Canadian Dollar amounts of foreign currency assets and liabilities

	Assets	Liabilities
Paraguayan Guarani	\$161,361	\$914,170
US Dollars	\$16,211	\$732,918

Based on the financial instruments held as at September 30, 2017, a 10% shift in the Canadian dollar against these foreign currencies, with all other variables held constant, would result in an impact of \$164,726 on the Company's post tax loss for the year. The Company's deficit would have changed by \$164,726 had the Canadian dollar shifted by 10% as a result of foreign exchange effect on translation of non-Canadian dollar denominated financial instruments.

#### f) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations.

As at September 30, 2017, the Company had a working capital deficiency of (\$683,509) (December 31, 2016 - \$281,855), and anticipates that the bulk-sampling facility at current gold prices will not provide sufficient funds to cover all the Company's expenditures for the next 12 months. Cash constraints have caused the Company to consider financing alternatives while contemplating minimal shareholder dilution.

The Company's potential sources of cash flow in the upcoming year will be from possible proceeds of ore sales from its bulk sampling facility, possible equity financings, loans, lease financing and entering into joint venture agreements; or any combination thereof.

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#### **CAPITAL RESOURCES**

The Company has no recent history of profitable operations. Therefore, it is subject to many risks common to comparable companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of adequate revenues.

It will be necessary for the Company to arrange for additional financing to meet its on-going exploration and overhead requirements.

Management believes it will be able to raise equity capital as required in the long term, but recognizes the risks attached thereto. Although the Company successfully completed a financing during the current period, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favourable.

#### **CAPITAL MANAGEMENT**

The Company's capital consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration plan, current obligations and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing, selling assets and incurring debt. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements as at September 30, 2017 and as at the date hereof.

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#### RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in the notes to financial statement are as follows:

Name and principal position	Year	Remuneration or fees <sup>(1)</sup>	Share based payments <sup>(1)</sup>	Included in accounts payable <sup>(1)</sup>
Mathew Wilson, CEO - management fees	2017	\$40,000	\$97,500	\$10,000
	2016	-	-	-
Dennis Logan, CFO - management fees	2017	\$7,000	\$118,900	\$7,000
	2016	-	-	-
Bira De Oliveira, COO - management fees	2017	\$6,240	\$117,300	\$6,240
	2016	-	-	-
Paul Sarjeant, former VP Exploration - management fees	2017	\$24,000	\$32,500	\$6,000
	2016	-	-	-
Basil Botha, former CEO – management fees	2017	\$25,000	-	-
	2016	-	\$232,000	\$5,734
Miles Rideout, former CEO – management fees	2017	\$13,000	-	-
	2016	6,000	\$46,500	\$3,239
Grant T. Smith (Clearline CPA), former CFO – management fees	2017	\$63,000	-	\$14,700
	2016	\$17,000	-	\$14,700
Tim Lallas, former CFO – management fees	2017	-	-	-
	2016	\$8,000	-	-
Julio Martinez, former CFO – management fees	2017	-	-	-
	2016	\$27,000	-	\$5,247
Cameron Tymstra, former COO – management fees	2017	\$77,500	-	\$10,000
	2016	\$30,000	\$232,500	\$7,968
Michael Hepworth, former Director – management fees	2017	\$20,000	-	-
	2016	-	-	-

<sup>(1)</sup> Amounts disclosed were paid or accrued to the related party during the nine month period ended September 30, 2017 and September 30, 2016.

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

#### SEGMENTED INFORMATION

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

As at September 30, 2017 and December 31, 2016, all of the Company’s non-current assets were located in South America.

#### MANAGEMENT

The Company is dependent upon the personal efforts and commitments of its existing management. To the extent that management’s services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

#### NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

##### New Accounting Standards and Interpretations Not Yet Adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board (“IASB”) or IFRS Interpretation Committee (“IFRIC”) that are mandatory

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at certain dates or later for the relevant reporting periods and which the Company has not early adopted. The Company has assessed the impact the application of these standards or amendments will have on the condensed consolidated interim financial statements of the Company. The standards impacted that may be applicable to the Company are the following:

At the date of authorization of these condensed consolidated interim financial statements, the IASB and IFRIC had issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. The Company has assessed the impact the application of these standards or amendments will have on the condensed consolidated interim financial statements of the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in November 2013 and July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted. No implementation date has been set.

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”). In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity’s first annual IFRS financial statements for periods beginning on or after January 1, 2018. Application of the standard is mandatory and early adoption is permitted.

IFRS 16 Leases (“IFRS 16”), was issued in January 2016 and it replaces IAS 17 Leases. IFRS 16 requires entities to recognize lease assets and lease obligations on the balance sheet. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are “capitalized” by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligations to make future lease payments. IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019.

## **RISK FACTORS**

Companies operating in the mining industry face many and varied kinds of risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical. Following are the risk factors most applicable to the Company:

Exploring and developing mineral resource projects bears a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is

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neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could impact them, and employs experienced consulting, engineering, insurance and legal advisors to assist in its risk management reviews.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

There can be no guarantees that the Company will be able to obtain or maintain all the necessary licenses and permits to extract and process minerals, explore, develop, or maintain its continued operations, or that the Company will be able to comply with all the conditions imposed.

The Company files applications in the ordinary course to renew the permits associated with its mining and exploration licenses that it deems necessary and/or advisable for the continued operation of its business. Certain of the Company's permits to operate that are associated with the mining license are currently under application for renewal. There is no guarantee that the Company will be able to renew any or all of the necessary permits in order to continue operating and conducting exploration activities on areas covered by licenses and permits that are not renewed or are revoked.

At present the principal activity of the Company is the exploration and development of resource properties. The feasible development of such properties is highly dependent upon the price of ore commodities. A sustained and substantial decline in these commodity prices could result in the write-down, termination of exploration and development work or loss of its interests in identified resource properties. Although such prices cannot be forecasted with certainty, the Company carefully monitors factors that could affect these commodity prices in order to assess the feasibility of its resource projects.

The success of exploration programs, development programs and other transactions related to mining concessions could have a significant impact on the need for capital. If the Company decides to develop one of its properties, it must ensure that it has access to the required capital. The Company could finance its need for capital by using working capital, by arranging partnerships or other arrangements with other companies, through equity financing, by taking on long-term debt or any combination thereof.

The Company has pledged certain of its assets as security in order to obtain additional capital through loans. Should the Company fail to pay or remedy an event of default (as defined under the loan agreements) the holder of the security would then be able to seize and dispose of the secured assets.

### **APPROVAL**

The Board of Directors of the Company has approved the disclosure contained in this Annual Management Discussion and Analysis.

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#### A CAUTIONARY TALE

*This document contains “forward-looking information” which may include, but is not limited to, statements with respect to the future financial or operating performance of the Corporation, its subsidiaries and its projects, the future supply, demand, inventory, production and price of minerals, the estimation of reserves and resources, the realization of reserve estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters.*

*Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of resources; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the resource industry; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Corporation 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 to differ from those 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. Accordingly, readers should not place undue reliance on forward-looking statements.*

Respectfully submitted on behalf of the Board of Directors,

“Matthew Wilson”

Matthew  
President & CEO

Wilson