LATIN AMERICAN MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

Expressed in Canadian Dollars

TABLE OF CONTENTS

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Latin American Minerals Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information presented. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

We draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast substantial doubt on the Company's ability to continue as a going concern.

28 April 2017

"Basil Botha"
Basil Botha, CEO

"Grant T. Smith"
Grant T. Smith, CFO

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Latin American Minerals Inc.

We have audited the accompanying consolidated financial statements of Latin American Minerals Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Latin American Mineral Inc. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Latin American Minerals Inc. ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 28, 2017

An independent firm associated with Moore Stephens International Limited
MOORE STEPHENS

LATIN AMERICAN MINERALS INC.

Statement 1

Expressed in Canadian Dollars

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	**As at 31 December 2016**	As at 31 December 2015
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 1,223,898**	$ 241,149
Short-term investments		**15,000**	-
Amounts receivable		**508**	-
Sales tax recoverable		**13,209**	193,709
Prepaid expenses		**33,937**	117,316
		1,286,552	552,174
Non-current Assets			
Property, plant and equipment	(9)	**1,332,105**	1,125,989
Property rights, evaluation and exploration assets	(10)	**18,862,139**	17,278,889
		20,194,244	18,404,878
		$ 21,480,796	$ 18,957,052
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	(11)	**$ 843,453**	$ 738,285
Bank loans - current	(13)	**161,244**	171,723
		1,004,697	910,008
Non-current Liabilities			
Bank loans – non-current	(13)	**400,516**	583,007
Payroll withholdings liability	(19)	**182,872**	-
Provision for mineral property reclamation	(10)	**232,683**	240,163
		1,820,768	1,733,178
EQUITY (STATEMENT 3)			
Share capital		**24,940,111**	23,396,567
Warrants		**4,596,549**	2,717,122
Contributed surplus		**12,619,910**	10,510,133
Obligation to issue shares		**25,000**	-
Accumulated other comprehensive income		**1,345,386**	1,371,958
Deficit		**(23,866,928)**	(20,771,906)
		19,660,028	17,223,874
		$ 21,480,796	$ 18,957,052

Nature of operations and going concern	(1)	Contingency	(20)
Commitments	(19)		

The consolidated financial statements were approved by the Board of Directors and were signed on its behalf by:

"Basil Botha"
Basil Botha, Director

"Michael Hepworth"
Michael Hepworth, Director

--The accompanying notes form an integral part of the consolidated financial statements--

Expressed in Canadian Dollars

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Note	Year ended 31 December 2016	Year ended 31 December 2015
EXPENSES			
General and Administrative Expenses			
Share-based payments	(14)	$ 1,567,454	$ 343,768
General and administrative		901,890	128,685
Investor relations		267,066	74,780
Management fees	(16)	163,721	46,933
Professional fees		96,687	160,664
Salaries and benefits		94,075	148,365
Amortization		13,044	2,465
Net foreign exchange (gain) loss		(78,963)	515,598
Interest expense on notes payable		-	13,494
Gain on disposal of equipment		-	(22,978)
Operating Loss Before the Following Items:		3,024,974	1,411,774
Gain on settlement of debt		-	(14,700)
Impairment of exploration and evaluation assets	(10)	70,048	1
Realized loss on marketable securities	(8)	-	283,277
Net change in unrealized gain on marketable securities		-	(262,438)
Interest income		-	(120)
Finance expense for promissory note	(12)	-	98,126
Gain on disposition of subsidiary	(6)	-	(37,919)
Net loss for the year before tax		(3,095,022)	(1,478,001)
Deferred income tax recovery	(18)	-	57,630
Net loss for the year		(3,095,022)	(1,420,371)
Other Comprehensive Loss			
Foreign currency translation adjustments		(26,572)	(478,497)
Net and Comprehensive Loss for the Year		$ (3,121,594)	$ (1,898,868)
Net Loss per Share – Basic and Diluted		$ 0.01	$ 0.12
Weighted Average Number of Shares Outstanding		48,960,519	11,700,259

--The accompanying notes form an integral part of the consolidated financial statements--

Expressed in Canadian Dollars

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Number of shares outstanding	Capital Stock	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
BALANCE AT 1 JANUARY 2015	10,867,850	$ 22,329,531	$ 2,016,849	9,981,054	$ 1,850,455	$ (19,351,535)	16,826,354
Shares and warrants issued on private placement	17,521,787	1,006,984	853,740	-	-	-	1,860,724
Warrants issued with promissory notes	-	-	98,126	-	-	-	98,126
Shares issued for debt settlement	73,500	29,400	-	-	-		29,400
Shares issued for exercise of warrants	40,000	22,000	-	-	-	-	22,000
Warrant modification	-	-	192,000	(192,000)	-	-	-
Value of warrants exercised	-	8,652	(8,652)	-	-		-
Expiry of warrants	-	-	(434,941)	377,311	-	-	(57,630)
Share-based payments	-	-	-	343,768	-	-	343,768
Other comprehensive loss	-	-	-	-	(478,497)	-	(478,497)
Net loss for the year	-	-	-	-	-	(1,420,371)	(1,420,371)
BALANCE AT 31 DECEMBER 2015	28,503,137	$ 23,396,567	$ 2,717,122	10,510,133	$ 1,371,958	$ (20,771,906)	17,223,874

--The accompanying notes form an integral part of the consolidated financial statements--

Expressed in Canadian Dollars

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED

	Number of shares outstanding	Capital Stock	Obligation to issue shares	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
BALANCE AT 1 JANUARY 2016	**28,503,137**	**$ 23,396,567**	**$ -**	**$ 2,717,122**	**$ 10,510,133**	**$ 1,371,958**	**$ (20,771,906)**	**$ 17,223,874**
Expiry of warrants	**-**	**-**	**-**	**(677,323)**	**677,323**	**-**	**-**	**-**
Shares and warrants issued on private placement	**37,915,000**	**1,677,493**	**25,000**	**2,152,307**	**-**	**-**	**-**	**3,854,800**
Share issuance costs	**-**	**(879,534)**	**-**	**459,000**	**-**	**-**	**-**	**(420,534)**
Shares issued for exercise of warrants	**3,121,396**	**448,028**	**-**	**-**	**-**	**-**	**-**	**448,028**
Value of warrants exercised	**-**	**169,236**	**-**	**(169,236)**	**-**	**-**	**-**	**-**
Shares issued for exercise of options	**900,000**	**108,000**	**-**	**-**	**-**	**-**	**-**	**108,000**
Value of options exercised	**-**	**135,000**	**-**	**-**	**(135,000)**	**-**	**-**	**-**
Issuance of special warrants	**-**	**(114,679)**	**-**	**114,679**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**-**	**1,567,454**	**-**	**-**	**1,567,454**
Other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(26,572)**	**-**	**(26,572)**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(3,095,022)**	**(3,095,022)**
BALANCE AT 31 DECEMBER 2016	**70,439,533**	**$ 24,940,111**	**$ 25,000**	**$ 4,596,549**	**$ 12,619,910**	**$ 1,345,386**	**$ (23,866,928)**	**$ 19,660,028**

--The accompanying notes form an integral part of the consolidated financial statements--

Expressed in Canadian Dollars

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December 2016	Year ended 31 December 2015
OPERATING ACTIVITIES		
Net loss for the Year	**$ (3,095,022)**	$ (1,420,371)
Items not Affecting Cash		
Share-based payment	**1,567,454**	343,768
Impairment of exploration and evaluation assets	**70,048**	-
Foreign exchange impact	**-**	515,598
Interest expenses on notes payable	**-**	98,126
Amortization	**13,044**	2,465
Gain on settlement of debt	**-**	(14,700)
Net loss on marketable securities	**-**	20,659
Gain on disposal of equipment	**-**	(22,978)
Deferred income tax recovery	**-**	(57,630)
Gain on disposition of subsidiary	**-**	(37,919)
Net Change in Non-Cash Working Capital		
Amounts receivable	**(11,000)**	-
Sales tax recoverable	**-**	43,473
Prepaid expenses	**83,876**	(55,112)
Accounts payable and accrued liabilities	**296,086**	112,371
Net Cash Used in Operating Activities	**(1,075,514)**	(472,250)
INVESTING ACTIVITIES		
Proceeds from disposition of subsidiary	**-**	17,467
Proceeds from disposition of property, plant and equipment	**22,243**	50,164
Purchase of property, plant and equipment	**(492,620)**	-
Purchase of property rights, evaluation and exploration costs	**(1,274,976)**	(1,209,663)
Purchase of guaranteed investment certificate	**(15,000)**	-
Proceeds from bulk sampling activities	**-**	348,249
Proceeds from sale of marketable securities	**-**	96,428
Net Cash Used in Investing Activities	**(1,760,353)**	(697,355)

--The accompanying notes form an integral part of the consolidated financial statements--

Expressed in Canadian Dollars

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

		Year ended 31 December 2016		Year ended 31 December 2015
FINANCING ACTIVITIES				
Units issued on private placement		**3,434,266**		1,537,825
Stock options exercised		**108,000**		-
Warrants exercised		**448,028**		22,000
Proceeds received from term loan and line of credit		**-**		33,372
Repayment of term loan and line of credit		**(221,189)**		(249,343)
Interest paid on bank loans and line of credit		**-**		(86,692)
Proceeds received from promissory notes		**-**		435,575
Repayment of promissory notes		**-**		(427,575)
Net Cash Provided by Financing Activities		**3,769,105**		1,265,162
Net Increase in Cash and Cash Equivalents for the Year		**933,238**		95,557
Effect of exchange rate changes on cash held in foreign currencies		**49,511**		104,848
Cash and Cash Equivalents – Beginning of Year		**241,149**		40,744
Cash and Cash Equivalents - End of Year	**$**	**1,223,898**	$	241,149
Schedule of Non-cash Investing and Financing Transactions				
Supplementary Cash Flow Information				
Interest paid on term loan and line of credit	**$**	**(66,820)**	$	(100,186)

--The accompanying notes form an integral part of the consolidated financial statements--

Expressed in Canadian Dollars

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1) Nature of operations and going concern

Latin American Minerals Inc. ("LAT" or the "Company") was incorporated under the Canada Business Corporations Act on 9 December 2003. The Company operates in one industry segment; its principal business activity is the exploration and development of resource properties. The head office of the Company is located at Suite 1001 – 409 Granville Street Vancouver, BC, V6C 1T2.

During the year ended 31 December 2015, the Company completed a consolidation of the outstanding common shares of the Company on a ratio of 10 pre-consolidation shares for 1 post-consolidation share (the "Consolidation"). As part of the Consolidation, the stock options and warrants were also consolidated and the exercise price adjusted to reflect the Consolidation. The Consolidation has been reflected in these consolidated financial statements (the "Financial Statements") and all applicable references to the number of shares, warrants and stock options and their exercise prices and per share information have been adjusted.

These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

There exists material uncertainties related to events and conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of exploration and evaluation expenditures is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

Consistent with other companies in the sector of mineral exploration, the Company has incurred operating losses since inception is unable to self-finance operations and has significant cash requirements to meet its overhead and maintain its mineral interests.

For the Company to continue to operate as a going concern, it must continue to obtain additional financing to maintain operations. Although the Company has been successful in the past at raising funds, there can be no assurance that this will continue in the future.

These Financial Statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

	31 December 2016	31 December 2015
Working capital surplus (deficiency)	**$ 281,855**	$ (357,834)
Accumulated deficit	**$ (23,866,928)**	$ (20,771,906)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2) Statement of Compliance

These Financial Statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) and related IFRS Interpretations Committee (“IFRICs”) as issued by the International Accounting Standards Board (“IASB”).

These Financial Statements were authorized for issuance by the Board of Directors on 1 May 2017.

3) Summary of significant accounting policies

a) Basis of measurement

The Financial Statements have been prepared on the accrual basis and are based on historical costs, modified were applicable.

b) Basis of consolidation

The Financial Statements incorporate the financial statements of the Company and the entities controlled by the Company, which consist of:

- Latin American Minerals Paraguay S.A. ("LAMPA"), owned 100% by the Company.
- Minera Itapora S.A. ("MIPSA"), owned 100% by the Company.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

c) Foreign currency translation

These Financial Statements are presented in Canadian dollars. The individual financial records of each group entity are kept in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency, as determined by management, of the parent company is the Canadian dollar. The functional currency of LAMPA and MIPSA is the Paraguayan Guarani.

Transactions in currencies other than the functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rates of the date of the initial transaction.

Exchange differences are recognized in profit and loss in the period in which they arise.

For the purpose of presenting Financial Statements, the assets and liabilities of the foreign entities are translated to Canadian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognized as a separate component of equity and as a foreign currency translation adjustment in other comprehensive income (loss) in the consolidated statements of loss and comprehensive loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

d) Cash and cash equivalents

Cash and cash equivalents represent cash on hand and short-term bank deposits with original maturity dates of less than three months at the time of acquisition or which are readily convertible into known amounts of cash.

e) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment in value. Cost includes the purchase price (after deducting trade discounts and rebates), any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the estimate of the present value of the costs of dismantling and removing the item and restoring the site.

The costs of day-to-day servicing are recognized in profit or loss as incurred.

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

Subsequent costs

The cost of replacing part of an item within property, plant and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized as an expense as incurred.

Depreciation is charged using the straight-line method over the estimated useful lives as follows:

Vehicles and machinery	3-5 years
Geological and communication equipment	3-15 years
Software	1-3 years
Office furniture and equipment	3-5 years

f) Evaluation and exploration costs

Evaluation and exploration costs ("E&E") generally include the direct costs of licenses, technical services and studies, environmental studies, seismic studies, exploration drilling and testing, borrowing costs, and directly attributable overhead and administration expenses including remuneration of operating personnel and supervisory management. These costs do not include general prospecting or evaluation costs incurred prior to having obtained the rights to explore an area, which are expensed as they are incurred. E&E expenditures are capitalized and carried forward until technical feasibility and commercial viability of extracting the resource is established.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, expenditures are reclassified to development assets within property, plant and equipment and are carried at cost until the properties to which the expenditures relate are sold, abandoned or determined by management to be impaired in value.

The establishment of technical feasibility of a mineral property is assessed based on a combination of factors including the extent to which mineral reserves or mineral resources as defined in National Instrument 43-101 have been identified through a feasibility study or similar document.

Evaluation and exploration costs are tested for impairment immediately prior to reclassification to development assets.

Proceeds generated from bulk sampling prior to commercial production

Prior to reaching commercial production, proceeds from the sale of gold derived from the Company's bulk sampling facility have been offset against property rights and evaluation and exploration costs and the cost of gold incurred in the Company's bulk sampling facility is capitalized in property rights and evaluation and exploration costs.

Property rights

Acquisition costs for mineral exploration rights are deferred until it is determined that these costs will not be recovered from future operations, at which point these costs are written off to operations. These costs are depleted on a unit-of-production basis commencing at the onset of commercial production for the related property.

Impairment of non-financial assets

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss for the period.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

g) Environmental remediation and mineral property reclamation liabilities

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment and the reclamation of environmental disturbances caused by exploration and evaluation activities. The net present value of future rehabilitation cost estimates is capitalized along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated over the economic life of the related asset, through amortization using either the unit of production or the straight-line method as appropriate.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss.

h) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of gold and silver from our bulk sampling facility. Revenue is recognized upon the transfer of the ownership risks and benefits to the buyer which is after delivery when the Company has no effective control of the goods sold, when the price is fixed or determinable, and when the Company has reasonable assurance with respect to the measurement and collectability.

Royalty income is recognized in the period in which it is earned in accordance with the terms of the royalty agreement, with collection reasonably assured. Interest revenue is recognized in the period in which it is earned.

i) Share-based payments

The Company has a stock option plan whereby employees (including officers), directors and consultants of the Company receive remuneration in the form of stock options granted under the plan for rendering services to the Company. Stock options granted during the period are accounted for in accordance with the fair value method of accounting for share-based payments. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model. The Company is also required to estimate the expected future forfeiture rate of options in its calculation of share-based payments. The cost of options is recognized, together with a corresponding increase in contributed surplus, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant optioned becomes fully entitled to the award (the "vesting date"). The cumulative expense recognized for option grants at each reporting date until the vesting date reflects the portion of the vesting period that passed and the Company's best estimate of the number of options that will ultimately vest on the vesting date. The Company records share-based payment expense and credits contributed surplus for all stock options granted which represents the movement in cumulative expense recognized as at the beginning and end of that period. Any consideration received on the exercise of stock options is credited to capital stock.

Where the terms of a stock option award are modified, the minimum expense recognized in share-based payment is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the option or is otherwise beneficial to the optioned as measured at the date of modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Where an option is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

j) Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period.

k) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are measured at fair value on the date of issue using the Black-Scholes option pricing model and included in share capital with the common shares that were concurrently issued. Broker compensation options are classified as issuance costs and a deduction from equity and measured at fair value on the date of issue using the Black-Scholes option pricing model.

After issuance the terms of warrants may be modified throughout the warrant life. At the time of the modification the warrant is valued under the new terms immediately preceding and immediately after the modification using the Black-Scholes pricing model. The incremental value in the warrants issued as compensation for services is added to warrant equity and a warrant modification expense is recorded to the consolidated statement of loss and comprehensive loss.

l) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

m) Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n) Financial instruments

The Company's financial instruments consist of the following:

Financial Assets or Liabilities	Category
Cash and cash equivalents	Fair value through profit and loss
Short-term investments	Fair value through profit and loss
Accounts payable and accrued liabilities	Other financial liabilities
Bank loans	Other financial liabilities

o) Financial liabilities and equity

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified as FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in the consolidated statement of loss and comprehensive loss when incurred. Financial assets at FVTPL are measured at fair value, and changes are recognized in the consolidated statement of loss and comprehensive loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Held to maturity
These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of loss and comprehensive loss.

Available-for-sale
Non-derivative financial assets not included in the above three categories are classified as available-for sale.

They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the consolidated statement of loss and comprehensive loss.

Other financial liabilities
Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of loss and comprehensive loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of loss and comprehensive loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable

market data (unobservable inputs).The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

4) Critical accounting judgements, estimates and assumptions

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in which the estimates are revised and in any future period affected.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the Financial Statements.

a) Critical Estimates

Useful life of property, plant and equipment

The Company reviews the estimated lives of its property, plant and equipment at the end of each reporting period. There were no material changes in the lives of property and equipment during years ended 31 December 2016 and 2015.

Share-based payments

Management uses the Black-Scholes option pricing model for valuation of share-based compensation and finder's warrants which requires the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materiality affect the fair market value estimate and the Company's results and equity reserves.

Impairment of non-financial assets

Judgment is involved in assessing whether there is any indication that an asset or cash generating unit may be impaired. This assessment is made based on the analysis of, amongst other factors, changes in the market and business environment, the events that have transpired that have impacted the asset or cash generating unit, and information from internal reporting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Income taxes

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgements on the amount and timing of recovery.

Decommissioning provision

The value of decommissioning liabilities depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

b) Critical judgements

Going concern evaluation

As discussed in note 1, these Financial Statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities and the reported expenses and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period. There were no material changes to the assessment as at 31 December 2016.

Evaluation and exploration costs

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of evaluation and exploration costs. The amounts shown for evaluation and exploration costs do not necessarily represent present or future values. The recoverability of the assets' carrying values is dependent upon the determination of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permits to complete development and future profitable production or proceeds from the disposition thereof.

5) Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company is currently assessing the impact, if any, that these standards might have on its Financial Statements.

a) IFRS 9, Financial Instruments

In July 2014, the IASB issued IFRS 9, *Financial Instruments* (IFRS 9). IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. It also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption of the new standard permitted. The Company does not intend to early adopt IFRS 9. Management is currently reviewing the impact that this standard will have on the Company's Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b) IFRS 15 – Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued and replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC-31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five –step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after 1 January 2019, with early adoption of the new standard permitted. The Company does not intend to early adopt IFRS 15. Management is currently reviewing the impact that this standard will have on the Company's Financial Statements.

c) IFRS 16, Leases

In January 2016, the IASB issued IFRS 16. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. This standard is effective for annual reporting periods on or after 1 January 2019. Early adoption is permitted if IFRS 15 has also been adopted. Management is currently reviewing the impact that this standard will have on the Company's Financial Statements.

6) Financial instruments and risk management

a) Financial instrument classification and measurement

Financial instruments are recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significant of the inputs used in making the measurements.

The fair value of hierarchy has the following levels:

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in the markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash and cash equivalents, short-term investments, accounts payable, and bank loans. As at 31 December 2016 and 31 December 2015, the carrying value of cash and cash equivalents is carried at fair value. Short-term investments, accounts payable and accrued liabilities, and bank loans approximate their fair value due to their short-term nature.

c) Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

d) Credit risk

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial instrument. Credit risk arises from cash and cash equivalents with banks and financial institutions as well as credit exposures to outstanding receivables. It is management's opinion that the Company is not exposed to significant credit risk arising from these financial instruments. The Company limits credit risk by entering into business arrangements with high credit-quality counterparties.

e) 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.

f) 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 31 December 2016 is as follows:

	Assets	Liabilities
US (Dollars)	31,210	549,973

Based on the financial instruments held as at 31 December 2016, a 10% shift in the Canadian dollar against these foreign currencies, with all other variables held constant, would result in a impact of $66,081 (2015 - $132,334) on the Company's post tax loss for the year. The Company's deficit would have changed by $66,081 (2015 - $132,334) had the Canadian dollar shifted by 10% as a result of foreign exchange effect on translation of non-Canadian dollar denominated financial instruments.

g) 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 31 December 2016, the Company had a working capital of $281,855 (31 December 2015 - $357,834), 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.

Expressed in Canadian Dollars

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7) Sale of subsidiary

On 29 July 2015, the Company completed the sale of the LAT's Argentinean subsidiary, Latin American Minerals Argentina S.A. ("LAMA"), to a private company controlled by a director of the Company at that time (note 16). The total purchase price was USD$ 93,583, of which USD$ 41,250 was outstanding remuneration at the moment of the transaction and USD$ 18,750 that comprised of future remuneration to be paid over the remaining five months of 2015. Furthermore, the purchase price also comprised of payments that the director made on behalf of the Company related to outstanding 2014 canons, taxes and professional fees for a total of USD$ 19,933. The balance of USD$ 13,650 was paid to the Company in full as of the date of the transaction. The Company recorded a gain on disposition of LAMA of $37,919.

8) Marketable securities

During the year ended 31 December 2015, the Company sold its 807,500 common shares of Pinetree Capital Ltd. for a total cash proceeds of $96,248, resulting in a loss of $283,277.

9) Property, plant and equipment

	Land	Vehicles and machinery	Geological equipment	Furniture and equipment	Total
COSTS					
Balance at 1 January 2015	$ 143,115	$ 737,581	$ 2,142,174	$ 566,115	$ 3,588,985
Reclass	(2)	(48,432)	(306,104)	155,288	(199,250)
Disposals	-	(70,730)	-	-	(70,730)
Effect of foreign exchange	(7,138)	(32,461)	(91,559)	(35,464)	(166,622)
Balance at 31 December 2015	135,975	585,958	1,744,511	685,939	3,152,383
Additions	**-**	**57,915**	**371,059**	**63,647**	**492,620**
Disposal	**-**	**-**	**-**	**(516)**	**(516)**
Effect of foreign exchange	**-**	**(1,564)**	**(10,023)**	**(1,341)**	**(12,929)**
Balance at 31 December 2016	**$ 135,975**	**$ 642,307**	**$ 2,105,547**	**$ 747,729**	**$ 3,631,558**
ACCUMULATED AMORTIZATION					
Balance at 1 January 2015	$ -	$ (662,167)	$ (859,953)	$ (536,238)	$ (2,058,358)
Reclass	-	47,685	(219,376)	370,941	199,250
Amortization for the year	-	(40,005)	(167,042)	(103,220)	(310,267)
Disposals	-	43,544	-	-	43,544
Effect of foreign exchange	-	30,552	58,329	10,556	99,437
Balance at 31 December 2015	-	(580,391)	(1,188,042)	(257,961)	(2,026,394)
Amortization for the year	**-**	**(4,483)**	**(169,072)**	**(107,471)**	**(281,026)**
Disposals	**-**	**-**	**-**	**516**	**516**
Effect of foreign exchange	**-**	**122**	**4,636**	**2,693**	**7,451**
Balance at 31 December 2016	**$ -**	**$ (584,752)**	**$ (1,352,478)**	**$ (362,223)**	**$ (2,299,453)**
CARRYING AMOUNTS					
At 31 December 2015	$ 135,975	$ 5,567	$ 556,469	$ 427,978	$ 1,125,989
At 31 December 2016	**$ 135,975**	**$ 57,555**	**$ 753,069**	**$ 385,506**	**$ 1,332,105**

Expressed in Canadian Dollars

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10) Property rights, evaluation and exploration assets

CARRYING VALUE	Paso Yobai	Itapoty	Tendal	Total
Balance at 1 January 2015	$ 16,886,007	$ 75,505	$ 1	$ 16,961,513
Additions	1,094,042	216	-	1,094,258
Amortization	307,802	-	-	307,802
Provision for environmental remediation	5,390	-	-	5,390
Interest capitalized	99,645	-	-	99,645
Proceeds from bulk sampling facility	(348,249)	-	-	(348,249)
Write-down of mineral property	-	-	(1)	(1)
Effect of foreign exchange	(837,788)	(3,681)	-	(841,469)
Balance at 31 December 2015	**$ 17,206,849**	**$ 72,040**	**$ -**	**$ 17,278,889**
Additions	**1,340,325**	**-**	**-**	**1,340,325**
Amortization	**267,982**	**-**	**-**	**267,982**
Interest capitalized	**66,820**	**-**	**-**	**66,820**
Provision for environmental remediation	**(7,480)**	**-**	**-**	**(7,480)**
Write-down of mineral property	**-**	**(70,048)**	**-**	**(70,048)**
Effect of foreign exchange	**(12,357)**	**(1,992)**	**-**	**(14,349)**
Balance at 31 December 2016	**$ 18,862,139**	**$ -**	**$ -**	**$ 18,862,139**

Exploration and evaluation assets

a) Paso Yobai

The Paso Yobai project comprises the Discovery Trend property, which is 99% owned by the Company; the other 1% being owned by a third party that receives 1% net smelter returns royalty on a yearly bases and the X-Mile Trend exploration property, which is 100% owned by the Company.

During the year ended 31 December 2016, the net proceeds received from sales of gold and silver derived from its bulk sampling facility in Paso Yobai amounted to $nil (year ended 31 December 2015 - $348,249). As the Company's primary operations are still focused on exploration activities and have not reached commercial production, these proceeds were applied against property rights and evaluation and exploration costs.

b) Itapoty

The Itapoty diamond project is located in Paraguay, approximately 150 km northeast of the capital city of Asuncion. The project consists of one exploration property claims totalling 56,342 hectares, which are 100% owned by the Company.

During the year ended 31 December 2016, the Company assessed that the carrying value of the property was not recoverable and fully impaired the property.

c) Tendal

The Company held a 100% interest in the six Tendal mineral concessions, comprising two land parcels totalling approximately 36,000 hectares. The Tendal zinc, copper, lead and silver property is located in the province of La Rioja in northwestern Argentina and is accessible by all-season gravel road. During the year ended 31 December 2015, the Company sold its Argentinean subsidiary that held the rights to this property (note 7).

Expressed in Canadian Dollars

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Provision for mineral property reclamation

Management has determined that the bulk sampling facility at Paso Yobai will require certain site restoration and decommissioning expenditures in the future. The Company has estimated that future cash flows required to settle obligations of the bulk sampling program are expected to occur in 2022. The provision was calculated using a discount rate of 2.94% and inflation rate of 3.9% (December 31, 2015 – discount rate of 4.3% and inflation rate of 3.1%) in the amount of $240,161 (December 31, 2015 – $240,161). During the year ended December 31, 2016, the foreign exchange loss on the provision was $7,480 (year ended December 31, 2015 - $5,390) which have been recorded in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2016.

The reclamation obligation may change materially based on future changes in operations, costs of reclamation, discount rates and closure activities, and regulatory requirements.

11) Accounts payable and accrued liabilities

	31 December 2016	31 December 2015
Accounts payable	**$ 718,770**	$ 672,162
Accrued liabilities	**124,683**	66,123
	$ 843,453	$ 738,285

12) Promissory notes

a) 29 April 2015

On 29 April 2015, the Company issued $145,075 promissory notes bearing simple interest at 1% per month. 414,500 share purchase warrants exercisable at $0.50 for a term of twenty four months were also issued in relation to this financing which were valued at $98,126 and recorded as finance expense for promissory note.

The promissory notes are unsecured, repayable at the Company's discretion at any time with written notice, and matured on 28 April 2016. One related party of the Company participated in the financing for an amount of $10,500. During the year ended 31 December 2015, the Company redeemed $10,500 of the promissory notes with issuance of 21,000 common shares of the Company. During the year ended 31 December 2015, the Company repaid the remaining $134,575 promissory note and paid interest expense of $8,217.

b) 21 August 2015

On 21 August 2015, the Company issued $290,000 promissory notes with an interest rate of 12% per annum, secured by equal amount of VAT credits owed to the Company’s Paraguayan subsidiary Latin American Minerals Paraguay S.A.. The promissory notes mature on 19 August 2016 and may be prepaid at the Company’s discretion with prior written notice. Pinetree, a significant shareholder of the Company, participated with $100,000 in connection with the promissory note issuance. The remaining $190,000 of the promissory notes was issued to a company to which LAT shares common directors. During the year ended 31 December 2015, the Company repaid the promissory notes and $5,277 related interest expense.

Expressed in Canadian Dollars

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13) Bank loans

On 19 June 2014, the Company announced the receipt of a USD$700,000 ($758,520) loan provided by the Banco Bilbao Vizcaya Argentaria ("BBVA") in Paraguay, which is divided in two parts. The first part is a secured 6 year loan ("Term Loan") of USD$600,000 ($650,160) including a one year grace period on capital, bearing an annual interest rate of 10%. Subject to a penalty of 4% over the balance outstanding, the Company is allowed to prepay the Term loan. The second part is a revolving line of credit ("Line of Credit") of USD$100,000 ($108,360) bearing an annual interest rate of 8.5%.

Both the Term Loan and the Line of Credit are secured by the pilot plant machinery and certain real estate in Paraguay.

	31 December 2016	31 December 2015
Opening balance	**$ 754,730**	$ 816,058
Proceeds received from Line of Credit	**-**	33,372
Repayment of Term Loan and Line of Credit	**(221,189)**	(249,343)
Interest capitalized in property rights, evaluation and exploration costs	**66,820**	99,645
Interest paid on Term Loan and Line of Credit	**(66,820)**	(86,692)
Effect of foreign exchange	**28,219**	141,690
Ending balance	**$ 561,760**	$ 754,730
Current portion	**$ 161,244**	$ 171,723
Non-current portion	**$ 400,516**	$ 583,007

The repayment of the non-current portion of the Term Loan is as follows:

	Amount
2018	**$ 192,709**
2019	**190,901**
2020	**54,979**
Total	**$ 438,589**

Further commitments of the Company are described in note 19.

14) Share capital

a) Authorized

Unlimited number of common shares without par value. Common shares issued and fully paid are as follows:

Expressed in Canadian Dollars

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b) Issued or allotted and fully paid:

	Number of Shares
Balance at 31 December 2014	10,867,850
Shares issued on private placement	17,521,787
Shares issued for debt settlement	73,500
Shares issued for exercise of warrants	40,000
Balance at 31 December 2015	28,503,137
Balance at 1 January 2016	**28,503,137**
Shares issued on private placement	**37,915,000**
Shares issued for exercise of warrants	**3,121,396**
Shares issued for exercise of options	**900,000**
Balance at 31 December 2016	**70,439,533**

<u>During the year ended 31 December 2016</u>

On 8 April 2016, the Company closed a private placement and issued 1,915,000 units at a price of $0.12 per unit for gross proceeds of $229,800. Each unit is comprised of one common share of the Company and one half of one common share purchase warrant. Each whole warrant is exercisable for a period of two years from the date of grant at an exercise price of $0.18 per share. The Company paid certain finders a cash commission equal to 8% of the proceeds raised and issued an aggregate of 53,200 broker warrants. Each broker warrant entitles the holder to purchase one common share for a period of two years from the closing of the private placement at a price of $0.12 per share. The Company incurred $6,384 in cash transaction costs and recorded $6,000 on the issuance of broker's warrants.

On 10 June 2016, the Company closed the first tranche of a non-brokered private placement (the "First Tranche") by issuing 6,165,000 units at a price of $0.10 per unit for gross proceeds of $616,500. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for a period of two years from the closing of the First Tranche at a price of $0.15 per common share. The Company paid certain finders a cash commission equal to 8% of the proceeds raised and also issued an aggregate of 490,000 broker warrants. Each broker warrant entitles the holder to purchase one common share for a period of two years from the closing of the First Tranche at a price of $0.15 per common share. The Company incurred $53,013 in cash transaction costs and recorded $46,000 on the issuance of broker's warrants.

On 28 June 2016, the Company closed the second tranche of a non-brokered private placement (the "Second Tranche") and issued 2,500,000 units at a price of $0.10 per unit for gross proceeds of $250,000. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of two years from the closing of the Second Tranche at a price of $0.15 per common share. The Company paid certain finders a cash commission equal to 8% of the proceeds raised and issued an aggregate of 180,000 broker warrants. Each broker warrant entitles the holder to purchase one common share for a period of two years from the closing of the Second Tranche at a price of $0.15 per common share. The Company incurred $18,000 in cash transaction costs and recorded $19,000 on the issuance of broker's warrants.

Expressed in Canadian Dollars

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On 7 July 2016, the Company closed the third tranche of a non-brokered private placement (the "Third Tranche") and issued 9,910,848 units at a price of $0.10 per unit for gross proceeds of $991,085. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable for a period of two years from the date of grant at an exercise price of $0.15 per common share. The Company paid certain finders a cash commission equal to 8% of the proceeds raised and also issued an aggregate of 792,868 broker warrants. Each broker warrant entitles the holder to purchase one common share for a period of two years from the closing of the private placement at a price of $0.15 per common share. The Company incurred $79,802 in cash transaction costs for the private placement and recorded $101,000 in connection to the broker's warrants.

On 15 July 2016, the Company closed the fourth tranche of a non-brokered private placement (the "Fourth Tranche") and issued 17,424,152 units at a price of $0.10 per unit for gross proceeds of $1,742,415. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable for a period of two years from the date of grant at an exercise price of $0.15 per common share. The Company paid certain finders a cash commission equal to 8% of the proceeds raised and also issued an aggregate of 1,353,932 broker warrants. Each broker warrant entitles the holder to purchase one common share for a period of two years from the closing of the private placement at a price of $0.15 per common share. The Company incurred $263,335 in cash transaction costs and recorded $232,000 for the issuance of broker's warrants.

The fair value of the warrants and broker's warrants was determined with the following assumptions:

Assumption	8 April 2016	10 June 2016	28 June 2016	7 July 2016	15 July 2016
Share price	**$0.12**	**$0.11**	**$0.12**	**$0.23**	**$0.27**
Risk-free rate	**0.56%**	**0.49%**	**0.54%**	**0.54%**	**0.54%**
Expected dividend yield	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Expected volatility	**299%**	**291%**	**290%**	**163%**	**136%**
Warrant life in years	**2.00**	**2.00**	**2.00**	**1.00**	**1.00**

<u>During the year ended 31 December 2015</u>

On 23 June 2015, the Company completed a non-brokered private placement funding gross proceeds of $332,900 and issued a total of 665,800 units at a price of $0.50 per unit. Each unit consists of one common share and one common share purchase warrant exercisable at a price of $0.70 for thirty six months following closing. The Company incurred $443 in transaction costs for the private placement.

On 18 November 2015, the Company completed a non-brokered private placement financing (the "Offering") for gross proceeds of $1,566,962 for the issuance of 156,696,200 special warrants (the "Special Warrants") at $0.10 per Special Warrant (on post-consolidation basis as discussed below). Each Special Warrant issued is exchangeable, for no additional consideration, into one unit of the Company (each a "Unit"). Each Unit is comprised of one common share (each a "Warrant Share") and one common share purchase warrant of the Company (each a "Warrant"). Each Warrant entitles the holder thereof to purchase one Warrant Share for a period of three years after the closing date of the Offering at a price of $0.15 per Warrant Share (on post-consolidation basis as discussed below).

Expressed in Canadian Dollars

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Special Warrants shall be automatically exchanged for Units upon satisfaction of the following conditions (collectively, the "Exercise Conditions"):

- the completion of a consolidation of the outstanding common shares of the Company on a minimum 8 (old) and a maximum 10 (old) common shares for 1 (new) common share (the "Consolidation");
- receipt of approval of the TSX Venture Exchange for the Offering and the Consolidation; and
- receipt of all regulatory approval required for the Offering and Consolidation.

Two directors and Pinetree, insiders of the Company, participated in the private placement, subscribing an aggregate of 3,100,000 Special Warrants.

In relation to the Offering, the Company also issued 1,186,370 broker warrants exercisable into one Unit of the Company at an exercise price of $0.10 per share for two years. Each Unit is comprised of one Warrant Share and one Warrant. These broker warrants were exercised into 1,186,367 common shares of the Company on 22 December 2015.

On 22 December 2015, the Company's shareholders approved, among other things, the Consolidation of the outstanding common shares (the "Shares") of the Company on a ratio of 10 pre-consolidation Shares for 1 post-consolidation Share at a special meeting of its shareholders. Upon completion of the Consolidation, the previously issued 156,696,200 special warrants of the Company were automatically exercised into 15,669,620 Units. The 1,186,370 broker warrants were also exercised into 1,186,367 Units of the Company on 22 December 2015. Each Unit is comprised of one Share and Warrant. Each Warrant entitles the holder thereof to purchase one Share at a price of $0.15 per Share on or before 18 November 2018. The Company incurred $157,332 in transaction costs of which $75,402 was allocated to the Warrants and the remaining was allocated to share capital.

The fair value of the warrants was determined with the following assumptions:

Assumption	**22 December 2015**
Share price	$0.10
Risk-free rate	0.51%
Expected dividend yield	0%
Expected volatility	261.55%
Warrant life in years	3.00

c) Stock options

The Company has established an incentive stock option plan (the "Plan") for management, directors, and consultants of the Company, as designated and administered by a committee of the Company's Board of Directors. Under the Plan, the Company may grant options for up to 10% of the issued and outstanding common shares of the Company.

<u>During the year ended 31 December 2016</u>

On 7 July 2016, the Company granted 350,000 incentive stock options to an employee of the Company. These options are exercisable at $0.17 per share for a period of three years from the date of grant with one quarter of the options vesting immediately, one quarter vesting after six months, one quarter vesting after nine months and one quarter vesting after twelve months.

On 26 July 2016, the Company granted an aggregate of 3,900,000 incentive stock options to officers, directors, and consultants of the Company. These options are exercisable at $0.35 per share for a period of five years from the date of grant with all options vesting immediately.

Expressed in Canadian Dollars

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On 22 August 2016, the Company granted an aggregate of 1,000,000 incentive stock options to consultants of the Company. These options are exercisable at $0.37 per share for a period of five years from the date of grant with all options vesting immediately.

During the year ended 31 December 2015

On 31 December 2015, the Company granted an aggregate of 2,025,000 incentive stock options to officers, directors and consultants of the Company. These options are exercisable at $0.12 per share for a period of five years from the date of grant with all options vesting immediately.

On 31 December 2015, the Company granted an aggregate of 300,000 incentive stock options to officers, directors and consultants of the Company. These options are exercisable at $0.12 per share for a period of two years from the date of grant with all options vesting immediately.

The following table summarizes information about stock options outstanding as at 31 December 2016:

Expiry date		**Exercise Price**	**31 December 2016 Outstanding**	**31 December 2016 Exercisable**
4 October, 2016	$	-	-	-
31 December, 2017	$	0.12	300,000	300,000
30 April, 2018	$	1.50	164,000	164,000
7 July, 2019	$	0.17	350,000	175,000
31 December, 2020	$	0.12	1,125,000	1,125,000
26 July, 2021	$	0.35	3,900,000	3,900,000
22 August 2021	$	0.37	1,000,000	1,000,000
			6,839,000	6,672,750

The following table reflects the continuity of stock options for the periods presented:

STOCK OPTION ACTIVITY	**31 December 2016**		**Weighted Average Exercise price**	31 December 2015		Weighted Average Exercise price
Balance – beginning of year	**2,546,500**	**$**	**0.24**	861,700	$	1.60
Granted	**5,250,000**		**0.35**	2,325,000		0.12
Exercised	**(900,000)**		**0.12**	-		-
Expired	**(12,500)**		**-**	(307,700)		1.67
Forfeited	**(45,000)**		**-**	(332,500)		1.50
Balance – end of year	**6,839,000**	**$**	**0.33**	2,546,500	$	0.24

For the year ended 31 December 2016, $1,591,150 (31 December 2015 - $343,768) was expensed as share-based payments.

Expressed in Canadian Dollars

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The total fair value of stock options granted during the year ended 31 December 2016 was $1,577,400 (2015 – $228,422). The fair value of stock options was estimated using the Black-Scholes option pricing model with the following assumptions:

Assumption	2016	2015
Risk-free interest rate	**0.50 - 0.60%**	0.48 - 0.62%
Expected dividend yield	**0%**	0%
Expected volatility (*)	**99-107%**	217-261%
Expected option life in years	**3.00-5.00**	3.00-5.00
Expected forfeiture rate (*)	**0%**	0%

(*) Volatility and forfeiture rates were determined by applying historical experience of the Company.

The weighted average fair value of the options granted during the year ended 31 December 2016 was $0.30 (2015 - $0.10).

d) Warrants

The following table summarizes warrants outstanding at 31 December 2016:

Date of Issuance	Date of Expiry		Exercise Price	31 December 2016 Outstanding
4 February 2013	4 February 2016	$	2.00	**-**
24 April 2014	24 April 2016	$	1.20	**-**
29 April 2015	29 April 2017	$	0.50	**384,500**
23 June 2015	23 June 2018	$	0.70	**655,800**
31 December 2015	18 November 2018	$	0.15	**16,116,769**
31 December 2015	18 November 2017	$	0.10	**240,111**
4 July 2016	17 November 2018	$	0.15	**521,038**
10 June 2016	10 June 2018	$	0.15	**6,655,000**
24 June 2016	28 June 2018	$	0.15	**2,680,000**
7 July 2018	7 July 2018	$	0.15	**10,703,716**
15 July 2018	15 July 2018	$	0.15	**18,778,084**
				56,735,018

		31 December 2016
The outstanding warrants have a weighted-average exercise price of:	**$**	**0.16**
The weighted average remaining life of the outstanding warrants is:		**1.61**

Expressed in Canadian Dollars

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table reflects the continuity of warrants for the periods presented:

WARRANT ACTIVITY	31 December 2016		Weighted Average Exercise price	31 December 2015		Weighted Average Exercise price
Balance – beginning of year	**18,923,787**	**$**	**0.11**	1,525,800	$	1.70
Issuance of special warrants	**1,186,369**		**0.10**	-		-
Issued on private placements	**39,827,500**		**0.15**	17,521,787		0.17
Issued from exercise of broker warrants	**946,258**		**0.15**	-		-
Issued with promissory notes	**-**		**-**	414,500		0.50
Exercised	**(3,121,396)**		**2.13**	(40,000)		0.60
Expired	**(1,027,500)**		**1.59**	(498,300)		2.00
Balance – end of year	**56,735,018**	**$**	**0.16**	18,923,787	$	0.11

On 21 January 2015, the Company received approval from the TSX Venture Exchange for a one-year extension to the expiry date of certain warrants as follows:

Original expiration date	4 February 2015
New expiration date	4 February 2016
Number of warrants	5,000,000
Warrant modification (*)	$192,000

(*) The incremental fair value of the warrants of $192,000 was credited to warrants and debited to contributed surplus.

The fair value of the warrant modification was estimated using the Black-Scholes option pricing model with the following assumptions:

Original Expiry date	4 February 2015
Share price	$0.08
Risk-free interest rate	0.56%
Expected dividend yield	0%
Expected volatility	183%
Expected option life in years	1.04

15) Capital management

The Company’s capital structure consists of all components of shareholders’ equity. The Company’s objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. 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 year. The Company is not subject to externally imposed capital requirements.

Expressed in Canadian Dollars

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16) Related party transactions

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

RELATED PARTY DISCLOSURE

Name and Principal Position			Remuneration or fees(1)		Share-based payments		Included in Accounts Payable
Basil Botha, CEO – management fees	**2016**	**$**	**15,000**	**$**	**229,562**	**$**	**15,750**
	2015		-		-		-
Miles Rideout, former CEO – management fees	**2016**	**$**	**6,000**	**$**	**45,912**	**$**	**3,628**
	2015		79,500		-		-
Tim Lallas, former CFO – management fees	**2016**	**$**	**8,400**	**$**	**153,042**	**$**	**-**
	2015		72,300		-		-
Julio Martinez, former CFO – management fees	**2016**	**$**	**27,000**	**$**	**-**	**$**	**5,247**
	2015		72,300		-		-
Clearline CPA, CFO – management fees	**2016**	**$**	**38,000**	**$**	**-**	**$**	**-**
	2015		**-**		-		-
Cameron Tymstra, COO – management fees	**2016**	**$**	**69,321**	**$**	**153,042**	**$**	**-**
	2015		-		-		-
Directors – director fees	**2016**	**$**	**-**	**$**	**774,504**	**$**	**-**
	2015		47,000		-		-
Director – geological fees	**2016**	**$**	**-**	**$**	**-**	**$**	**-**
	2015		57,500		-		51,900

(1) Amounts disclosed were paid or accrued to the related party during the year ended 31 December 2016 and 31 December 2015.

During the year ended 31 December 2016, the Company issued 1,575,000 units (2015 – 8,376,000) of the Company to certain directors and officers of the Company for gross proceeds of $184,200 (2015 - $118,800).

17) Segmented disclosure

a) Operating segments

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

b) Geographic segments

As at 31 December 2015 and 2016 all the Company's non-current assets were located in South America.

Expressed in Canadian Dollars

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18) Income taxes

The following table reconciles the expected income taxes (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of financial position as at

	31 December 2016	31 December 2015
Net loss for the year	**$ (3,095,022)**	(1,420,371)
Statutory tax rate	**26%**	26%
Expected tax (recovery)	**(820,000)**	(376,000)
Expiration of warrants	**-**	(57,630)
Share issuance costs	**(111,000)**	-
Non-deductible expenditures and non-taxable revenues	**709,000**	263,000
Foreign tax rates differential and other	**(44,000)**	(40,000)
Adjusted to prior years provision versus statutory tax returns	**316,000**	-
Other	**19,000**	-
Tax benefit not recognized	**(69,000)**	153,000
Income tax recovery	**$ -**	$ (57,630)

Details of deferred tax assets not recognized are as follows:

	31 December 2016	31 December 2015
Property, plant and equipment	**$ 35,000**	37,000
Non-capital loss	**1,772,000**	1,920,000
Allowable capital loss	**37,000**	37,000
Share issue costs	**112,000**	31,000
	$ 1,956,000	2,025,000

The Company has non-capital loss carry forwards of approximately $7,112,000 (2015: $7,637,000) that may be carried forward to apply against future year income tax for Canadian income tax purposes which expire between 2029 and 2036.

Tax attributes are subject to review and potential adjustments by tax authorities.

The presentation of the prior year income tax note has been updated to conform to the current year presentation.

19) Commitments

On 25 October 2016, LAMPA signed an agreement with the Paraguayan government Instituto de Prevision Social ("IPS") whereby the Company will repay a prior outstanding liability of $5,532 in monthly payments over the term of 60 monthly payments at 1.5% monthly interest.

Expressed in Canadian Dollars

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the Company's total annual payments under this agreement:

		Amount
2018	**$**	**36,372**
2019		**43,487**
2020		**51,994**
2021		**51,019**
Total	**$**	**182,872**

During the year ended 31 December 2016, the Company entered into a consulting agreement whereby it will pay consulting fees as follows:

		Amount
2018	$	**120,843**
2019		**120,843**
Total	$	**241,686**

20) Contingency

During the year ended 31 December 2015, one of the employees of the Company's Paraguayan subsidiary filed two separate lawsuits against the Company for wrongful dismissal. The Company disagrees with the claims made in the suits and intends to vigorously defend itself against the allegations. The lawsuits are claiming a total of PYG 1,477,994,601 ($360,928). Of this amount, PYG 374,799,077 ($91,526) has been accrued as at 31 December 2016.