LATIN AMERICAN MINERALS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2014

(UNAUDITED)

(Expressed in Canadian Dollars Except As Otherwise Indicated)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

LATIN AMERICAN MINERALS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

See Note 1 - Nature of operations and going concern

(Expressed In Canadian Dollars)

	Unaudited June 30, 2014	Audited December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	**$ 425,150**	$ 189,933
Amounts receivable (Note 4)	**349,004**	176,602
Prepaid expenses	**408,341**	96,108
Total current assets	**1,182,495**	462,643
Non-current assets		
Amounts receivable (Note 4)	**217,948**	-
Property, plant and equipment (Note 5)	**1,367,257**	1,518,520
Property rights, evaluation and exploration costs (Note 6)	**15,397,174**	14,764,421
Total non-current assets	**16,982,379**	16,282,941
Total assets	**$ 18,164,874**	$ 16,745,584
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	**$ 893,801**	$ 533,329
Notes payable (Note 9)	**-**	165,748
Bank loans - current (Note 10)	**106,700**	-
Total current liabilities	**1,000,501**	699,077
Non-current liabilities		
Provision for environmental remediation and mineral property reclamation liabilities (Note 8)	**178,430**	175,705
Bank loans - non-current (Note 10)	**640,200**	-
Total liabilities	**1,819,131**	874,782
Equity		
Capital stock (Note 11)	**21,405,874**	21,229,836
Warrants (Note 11)	**2,529,273**	2,286,891
Contributed surplus (Note 11)	**9,064,701**	8,973,923
Accumulated other comprehensive income	**876,555**	425,241
Deficit	**(17,530,660)**	(17,045,089)
Total equity	**16,345,743**	15,870,802
Total liabilities and equity	**$ 18,164,874**	$ 16,745,584

The accompanying notes are an integral part of these condensed interim consolidated financial statements

LATIN AMERICAN MINERALS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed In Canadian Dollars)

(Unaudited)

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Expenses				
Administrative expenses (Note 12)	**$ (135,372)**	$ (288,235)	**$ (256,815)**	$ (542,947)
Professional fees	**(50,678)**	(56,237)	**(121,151)**	(131,009)
Share based payments (Note 11)	**(22,273)**	(184,928)	**(90,778)**	(184,928)
Net foreign exchange (loss) gain	**(8,357)**	46,579	**(14,580)**	182,653
Interest expense on notes payable (Note 9)	**(2,837)**	-	**(7,685)**	-
Warrant modification (Note 11)	**-**	-	**-**	(323,956)
Interest and royalty income	**-**	2,213	**-**	3,673
Gain on sale of property, plant and equipment	**5,438**	-	**5,438**	-
Net loss for the period	**(214,079)**	(480,608)	**(485,571)**	(996,514)
Other comprehensive income/loss				
Other comprehensive income/loss to be reclassed to profit and loss in subsequent periods:				
Foreign currency translation adjustments	**(804,760)**	(1,367,442)	**451,314**	(30,070)
Total comprehensive loss for the period	**$ (1,018,839)**	$ (1,848,050)	**$ (34,257)**	$ (1,026,584)
Net loss per share (basic and fully diluted)	**$ (0.00)**	$ (0.01)	**$ (0.01)**	$ (0.01)
Weighted average number of shares outstanding	**97,287,295**	93,403,504	**95,356,128**	92,381,405

The accompanying notes are an integral part of these condensed interim consolidated financial statements

LATIN AMERICAN MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed In Canadian Dollars)
(Unaudited)

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance, December 31, 2013	93,403,504	$21,229,836	$ 2,286,891	$ 8,973,923	$ 425,241	$ (17,045,089)	$ 15,870,802
Share and warrants issued on private placement (Note 11(ii))	5,275,000	176,038	242,382	-	-	-	418,420
Share-based compensation - expensed (Note 11)	-	-	-	90,778	-	-	90,778
Other comprehensive income	-	-	-	-	451,314	-	451,314
Net loss	-	-	-	-	-	(485,571)	(485,571)
Balance, June 30, 2014	**98,678,504**	**$21,405,874**	**$ 2,529,273**	**$ 9,064,701**	**$ 876,555**	**$ (17,530,660)**	**$ 16,345,743**
Balance, December 31, 2012	88,403,504	$20,979,037	$ 1,465,689	$ 8,501,692	$ 290,858	$ (14,890,575)	$ 16,346,701
Warrant modification (Note 11)	-	-	323,956	-	-	-	323,956
Shares and warrants issued on private placement (Note 11 (i))	5,000,000	250,799	242,941	-	-	-	493,740
Share-based compensation - expensed (Note 11)	-	-	-	184,928	-	-	184,928
Other comprehensive loss	-	-	-	-	(30,070)	-	(30,070)
Net loss	-	-	-	-	-	(996,514)	(996,514)
Balance, June 30, 2013	**93,403,504**	**$21,229,836**	**$ 2,032,586**	**$ 8,686,620**	**$ 260,788**	**$ (15,887,089)**	**$ 16,322,741**

The accompanying notes are an integral part of these condensed interim consolidated financial statements

LATIN AMERICAN MINERALS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed In Canadian Dollars)
(Unaudited)

Six Months Ended June 30,	2014	2013
Operating Activities		
Net loss for the period	**$ (485,571)**	$ (996,514)
Share-based payments	**90,778**	184,928
Foreign exchange gain	**14,580**	(191,374)
Interest on notes payable	**7,685**	-
Depreciation (Note 15)	**4,355**	4,958
Warrant modification expense	**-**	323,956
Gain on sale of property, plant and equipment	**(5,438)**	-
Changes in non-cash working capital balances:		
Increase in amounts receivable	**(390,351)**	(98,276)
Decrease in prepaid expenses	**3,216**	1,981
Increase (decrease) in accounts payable and accrued liabilities	**75,615**	(130,454)
Net cash used in operating activities	**(685,131)**	(900,795)
Investing Activities		
Purchase of property, plant and equipment	**(2,525)**	(34,334)
Purchase of property rights, evaluation and exploration costs	**(737,804)**	(968,194)
Proceeds from bulk sampling activities	**592,225**	911,273
Proceeds from sale of property, plant and equipment	**11,354**	-
Net cash used in investing activities	**(136,750)**	(91,255)
Financing Activities		
Shares issued on private placement (net of issue costs) (Note 11(i)(ii))	**418,420**	493,740
Proceeds received from bank loans (Note 10)	**758,520**	-
Interest paid on bank loans	**(6,408)**	-
Repayment of notes payable (Note 9)	**(173,433)**	-
Net cash provided by financing activities	**997,099**	493,740
Net increase (decrease) in cash and cash equivalents	**175,218**	(498,310)
Effect of exchange rate changes on the balance of cash held in foreign currencies	**59,999**	(33,515)
Cash and cash equivalents at the beginning of the period	**189,933**	897,469
Cash and cash equivalents at the end of the period	**$ 425,150**	$ 365,644
Supplementary cash flow information		
Interest paid (Note 15)	**$ (20,841)**	$ -

The accompanying notes are an integral part of these condensed interim 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 December 9, 2003. The Company operates in one industry segment; its principal business activities are the exploration and development of resource properties. The principal head office of the Company was located at 357 Bay Street, Suite 604, Toronto, Ontario, M5H 2T7 and effective from May 1, 2014, the principal head office of the Company changed to 36 Toronto Street, Suite 1000, Toronto, Ontario, M5C 2C5.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 21, 2014.

The Company is in the process of exploring and developing its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These unaudited condensed interim consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value, and prepared on the "going concern" basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the foreseeable future.

As at June 30, 2014, the Company had a working capital of $181,994 and had reported a net loss of $485,571 for the six months ended June 30, 2014, has yet to achieve profitable operations and has an accumulated deficit of $17,530,660. 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’s ability to continue as a going concern is dependent upon the ability to obtain additional financing, to collect the sales tax receivable and to achieve profitable operations from the sale of gold derived from bulk sampling facilities and ultimately to achieve and maintain profitable operations. The availability of such additional funds is not assured and, if available, the terms thereof are not yet determinable and the ability of the Company to achieve and maintain profitable operation cannot be predicted at this time and accordingly, these matters cast significant doubt about the Company’s ability to continue as a going concern. These unaudited condensed interim 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 unaudited condensed interim consolidated statement of financial position reclassifications would be necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting issued by the International Accounting Standards Board using accounting policies consistent with International Financial Reporting Standards ("IFRS"). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board and interpretations issued by the IFRS Interpretations Committee.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of August 21, 2014, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent audited annual consolidated financial statements as at and for the year ended December 31, 2013, except as noted below.

Newly adopted accounting policies

The Company has adopted the following accounting policy and amended standard during the period:

Borrowing costs - borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized as they accrue, in profit or loss using the effective interest method.

The Company capitalizes borrowing costs from bank loans to the property rights, evaluation and exploration costs.

IAS 32 - Financial instruments. Presentation was amended to clarify that the right of offset must be available on the current date and cannot be contingent on a future date. As of January 1, 2014, the Company adopted this amendment and there was no impact on the Company's unaudited condensed interim consolidated financial statements for the six months ended June 30, 2014.

New and amended international financial reporting standards to be adopted

IFRS 9 - Financial instruments ("IFRS 9"). In October 2010, the IASB published amendments to IFRS 9, Financial Instruments (“IFRS 9”) which provides added guidance on the classification and measurement of financial liabilities. IFRS 9 will replace IAS 39 and will be completed in three phases: classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. This was the first phase of the project on classification and measurement of financial assets and liabilities. The IASB is discussing proposed limited amendments related to this phase of the project. The standard on general hedge accounting was issued and included as part of IFRS 9 in November 2013. The accounting for macro hedging is expected to be issued as a separate standard outside of IFRS 9. The impairment of financial assets phase of the project is currently in development. In November 2013, the mandatory effective date of IFRS 9 of January 1, 2015 was removed and the effective date will be determined when the remaining phases of IFRS 9 are finalized. The Company is currently monitoring the developments of this standard and assessing the impact that the adoption of this standard may have on the consolidated financial statements.

(Expressed In Canadian Dollars)

3. CASH AND CASH EQUIVALENTS

	June 30, 2014	December 31, 2013
Cash at bank	**$ 410,150**	$ 174,933
Short-term bank deposits	**15,000**	15,000
	$ 425,150	$ 189,933

4. AMOUNTS RECEIVABLE

	June 30, 2014	December 31, 2013
Current		
Sales tax recoverable	**$ 349,004**	$ 172,253
Other receivables	**-**	4,349
	$ 349,004	$ 176,602
Non-current		
Sales tax recoverable	**$ 217,948**	$ -

5. PROPERTY, PLANT AND EQUIPMENT

Cost	**Land**	**Vehicles and machinery**	**Geological and communication equipment**	**Office furniture and equipment**	**Total**
Balance, December 31, 2013	$ 131,996	$ 717,721	$ 1,745,155	$ 515,659	$ 3,110,531
Additions	-	795	1,730	-	2,525
Disposals	-	(26,174)	-	-	(26,174)
Effect of foreign exchange	3,414	15,973	34,700	15,424	69,511
Balance, June 30, 2014	**$ 135,410**	**$ 708,315**	**$ 1,781,585**	**$ 531,083**	**$ 3,156,393**

Accumulated depreciation	**Land**	**Vehicles and machinery**	**Geological and communication equipment**	**Office furniture and equipment**	**Total**
Balance, December 31, 2013	$ -	$ (569,701)	$ (637,538)	$ (384,772)	$ (1,592,011)
Depreciation	-	(34,891)	(92,150)	(65,180)	(192,221)
Disposals	-	20,258	-	-	20,258
Effect of foreign exchange	-	(11,223)	(9,005)	(4,934)	(25,162)
Balance, June 30, 2014	**$ -**	**$ (595,557)**	**$ (738,693)**	**$ (454,886)**	**$ (1,789,136)**

(Expressed In Canadian Dollars)

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

Carrying amounts	**Land**	**Geological and Vehicles and machinery**	**Office communication equipment**	**furniture and equipment**	**Total**
As at June 30, 2014	**$ 135,410**	**$ 112,758**	**$ 1,042,892**	**$ 76,197**	**$ 1,367,257**

Cost	**Land**	**Vehicles and machinery**	**Geological and communication equipment**	**Office furniture and equipment**	**Total**
Balance, December 31, 2012	$ 130,764	$ 705,425	$ 1,693,641	$ 506,682	$ 3,036,512
Additions	-	7,005	40,529	3,528	51,062
Effect of foreign exchange	1,232	5,291	10,985	5,449	22,957
Balance, December 31, 2013	$ 131,996	$ 717,721	$ 1,745,155	$ 515,659	$ 3,110,531

Accumulated depreciation	**Land**	**Vehicles and machinery**	**Geological and communication equipment**	**Office furniture and equipment**	**Total**
Balance, December 31, 2012	$ -	$ (418,593)	$ (453,016)	$ (254,944)	$ (1,126,553)
Depreciation	-	(152,772)	(187,572)	(132,429)	(472,773)
Effect of foreign exchange	-	1,664	3,050	2,601	7,315
Balance, December 31, 2013	$ -	$ (569,701)	$ (637,538)	$ (384,772)	$ (1,592,011)

Carrying amounts	**Land**	**Vehicles and machinery**	**Geological and communication equipment**	**Office furniture and equipment**	**Total**
As at December 31, 2013	$ 131,996	$ 148,020	$ 1,107,617	$ 130,887	$ 1,518,520

6. PROPERTY RIGHTS, EVALUATION AND EXPLORATION COSTS

	Paso Yobai	**Itapoty**	**Tendal**	**Chiriguelo**	**Total**
Balance, December 31, 2013	$ 14,366,412	$ 32,917	$ 1	$ 365,091	$ 14,764,421
Additions	666,838	38,301	-	2,069	707,208
Depreciation	187,866	-	-	-	187,866
Accretion of provision for environmental remediation and mineral property reclamation liabilities	2,223	-	-	-	2,223
Borrowing costs capitalized	6,440	-	-	-	6,440
Proceeds from bulk sampling facility	(592,225)	-	-	-	(592,225)
Effect of foreign exchange	312,060	(206)	-	9,387	321,241
Balance, June 30, 2014	$ 14,949,614	$ 71,012	$ 1	$ 376,547	$ 15,397,174

	Paso Yobai	**Itapoty**	**Tendal**	**Chiriguelo**	**Total**
Balance, December 31, 2012	$ 13,423,973	$ 21,759	$ 1	$ 354,416	$ 13,800,149
Additions	2,302,597	11,299	-	7,558	2,321,454
Depreciation	462,962	-	-	-	462,962
Accretion of provision for environmental remediation and mineral property reclamation liabilities	15,236	-	-	-	15,236
Proceeds from bulk sampling facility	(1,902,723)	-	-	-	(1,902,723)
Effect of foreign exchange	64,367	(141)	-	3,117	67,343
Balance, December 31, 2013	$ 14,366,412	$ 32,917	$ 1	$ 365,091	$ 14,764,421

(Expressed In Canadian Dollars)

6. PROPERTY RIGHTS, EVALUATION AND EXPLORATION COSTS (continued)

(i) During the three and six months ended June 30, 2014, the Company sold gold and silver derived from its bulk sampling facility in Paso Yobai, Paraguay for net proceeds of $213,448 and $592,225, respectively (three and six months ended June 30, 2013 - $545,183 and $911,273, respectively).

(ii) During the year ended December 31, 2013, the Company sold gold and silver derived from its bulk sampling facility in Paso Yobai, Paraguay for net proceeds of $1,902,723.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2014		December 31, 2013
Accounts payable	**$**	**679,742**	$	292,218
Accrued liabilities		**214,059**		241,111
	$	**893,801**	$	533,329

8. PROVISION FOR ENVIRONMENTAL REMEDIATION AND MINERAL PROPERTY RECLAMATION LIABILITIES

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 7% and inflation rate of 4.6% (December 31, 2013 – discount rate of 7% and inflation rate of 4.6%) in the amount of $178,430 (December 31, 2013 – $175,705). During the three and six months ended June 30, 2014, the accretion of the provision was $1,114 and $2,223, respectively (three and six months ended June 30, 2013 - $2,292 and $4,517, respectively) which has been recorded in the property rights and evaluation and exploration costs. During the three months ended June 30, 2014, the foreign exchange gain on the provision was $6,423 and during the six months ended June 30, 2014, the foreign exchange loss on the provision was $501 (three and six months ended June 30, 2013 - foreign exchange loss of $5,529 and $8,721, respectively) which have been recorded in the condensed interim consolidated statements of loss and comprehensive income for the three and six months ended June 30, 2014.

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

9. NOTES PAYABLE

On September 5, 2013, the Company issued notes payable in the aggregate principal amount of $169,150 to certain directors of the Company. These notes, with a maturity of March 5, 2014, were issued at a purchase price of 94% of the principal amount, generating net proceeds of $159,000, and include a general security interest over the assets of the Company. The Company may repay the principal amount, at its discretion, in whole or in part, at any time prior to the maturity date with written notice. The holders of the notes are entitled to an incentive payment not to exceed 10% of the principal amount based on the London Fix PM USD gold price, from the issue date of the notes to the repayment date ("gold incentive"). On March 5, 2014, the notes payable were extended for six months until September 5, 2014. Under the new terms, the notes payable bear an interest rate of 12% per annum with no gold incentive. During the three and six months ended June 30, 2014, the Company recorded interest expense of $2,837 and $7,685, respectively (three and six months ended June 30, 2013 - $nil). On May 21, 2014, the Company repaid in full the notes payable and accrued interest in the aggregate of $173,433.

(Expressed In Canadian Dollars)

10. BANK LOANS

On June 19, 2014, the Company announced the receipt of a US$ 700,000 ($758,520) loan provided by the Banco Bilbao Vizcaya Argentaria (BBVA) in Paraguay, which is divided in two parts. First, a secured 6 year loan ("term loan") of US$600,000 ($650,160) including a 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. Second, a revolving line of credit of US$100,000 ($108,360) bearing an interest rate of 8.5% for the applicable interest period.

Both the term loan and the revolving line of credit are secured by the pilot plant machinery and certain real estate in Paraguay.

		June 30, 2014		December 31, 2013
Opening balance	**$**	**-**	$	-
Loan borrowed		**758,520**		-
Interest capitalized in property rights, evaluation and exploration costs (note 6)		**6,440**		-
Interest paid		**(6,408)**		-
Effect of foreign exchange		**(11,652)**		-
Ending balance	**$**	**746,900**	$	-
Bank loans - current	**$**	**106,700**	$	-
Bank loans - long term	**$**	**640,200**	$	-

11. CAPITAL STOCK

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

	Number of Shares		Amount
Balance - December 31, 2012	88,403,504		20,979,037
Shares issued on private placement (i)	5,000,000		500,000
Transaction costs - private placement (i)	-		(4,201)
Purchase warrants issued on private placement (i)	-		(245,000)
Balance - June 30, 2013 and December 31, 2013	93,403,504	$	21,229,836
Shares issued on private placement (ii)	5,275,000		422,000
Transaction costs (ii)	-		(2,156)
Purchase warrants issued on private placement (ii)	-		(243,806)
Balance - June 30, 2014	98,678,504	$	21,405,874

(Expressed In Canadian Dollars)

11. CAPITAL STOCK (continued)

(i) On February 6, 2013, the Company completed a non-brokered private placement financing of 5 million units at a price of $0.10 per unit for gross proceeds of $500,000. Each unit consists of one common share of the Company, along with one common share purchase warrant. Each warrant may be exercised for one additional common share at a price of $0.20 per common share until February 4, 2015. The fair value of the warrants issued was estimated at $245,000 using a Black-Scholes valuation model with the following assumptions:

Risk-free interest rate	1.17%
Expected dividend yield	0%
Expected volatility	126%
Warrant life in years	2

The Company incurred total transaction costs of $6,260 related to the private placement, with $4,201 allocated to capital stock and $2,059 allocated to warrants.

(ii) On April 24, 2014, the Company completed a non-brokered private placement financing for gross proceeds of $422,000 and issued a total of 5,275,000 units at a price of $0.08 per unit. Each unit consists of one common share of the Company, and one common share purchase warrant. Each warrant may be exercised for one additional common share at a price of $0.12 per common share until April 24, 2016. No commission or finders' fees were paid in conjunction with the private placement. The units issued are subject to a hold period until August 25, 2014. The fair value of the warrants issued was $243,806 using a Black-Scholes valuation model with the following assumptions:

Risk-free interest rate	1.06%
Expected dividend yield	0%
Expected volatility (*)	158.71%
Option life in years	2

The Company incurred a total transaction costs of $3,580 for the private placement, of which $2,156 was allocated to share capital with the remaining allocated to warrants.

(Expressed In Canadian Dollars)

11. CAPITAL STOCK (continued)

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.

The following table summarizes information about stock options outstanding as at June 30, 2014:

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry date	Weighted average remaining contractual life (years)
495,000	495,000	$ 0.22	October 9, 2014	0.28
947,000	947,000	$ 0.18	June 1, 2015	0.92
1,000,000	1,000,000	$ 0.14	September 15, 2015	1.21
500,000	500,000	$ 0.19	October 22, 2015	1.31
1,100,000	1,100,000	$ 0.18	November 18, 2015	1.39
250,000	250,000	$ 0.20	June 21, 2016	1.98
125,000	125,000	$ 0.21	October 14, 2016	2.29
4,045,000	4,045,000	$ 0.15	April 30, 2018	3.84
650,000	325,000	$ 0.10	December 12, 2018	4.45
9,112,000	**8,787,000**			

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

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2012	5,566,500	$ 0.20
Forfeited during the period	(30,000)	$ 0.15
Expired during the period	(649,500)	$ 0.35
Granted during the period	4,075,000	$ 0.15
Balance, June 30, 2013	8,962,000	$ 0.16
Expired during the period	(490,000)	$ 0.15
Granted during the period	650,000	$ 0.10
Balance, December 31, 2013	9,122,000	$ 0.17
Expired during the period	(10,000)	$ 0.22
Balance, June 30, 2014	9,112,000	$ 0.16

For the three and six months ended June 30, 2014, $22,273 and $90,778, respectively (three and six months ended June 30, 2013 - $184,928) were expensed as share-based payments.

There were no stock options granted during the six months ended June 30, 2014 (six months ended June 30, 2013 - 4,075,000).

(Expressed In Canadian Dollars)

11. CAPITAL STOCK (continued)

Warrants

The following table summarizes the warrants outstanding at June 30, 2014:

Number of warrants		Exercise price	Weighted average remaining contractual life	Expiry date
4,983,000	$	0.20	0.20 years	September 10, 2014
4,700,000	$	0.30	0.27 years	October 5, 2014
5,000,000	$	0.20	0.60 years	February 4, 2015
5,275,000	$	0.12	1.82 years	April 24, 2016
19,958,000			**0.74 years**	

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

	Number of warrants		Weighted average exercise price
Balance, December 31, 2012	9,683,000	$	0.25
Issued on the private placement (Note 11(i))	5,000,000	$	0.20
Balance, June 30, 2013 and December 31, 2013	14,683,000	$	0.23
Issued on the private placement (Note 11(ii))	5,275,000	$	0.12
Balance, June 30, 2014	19,958,000	$	0.20

12. ADMINISTRATIVE EXPENSES

	Three months ended				Six months ended,			
		June 30, 2014		June 30, 2013		June 30, 2014		June 30, 2013
Salaries and benefits	**$**	**39,882**	$	82,096	**$**	**75,018**	$	165,272
Director fees		**30,400**		30,400		**56,400**		57,600
Evaluation and exploration costs		**13,132**		32,969		**18,845**		71,754
Investor relations		**11,089**		76,962		**20,508**		115,652
Depreciation		**2,118**		2,516		**4,355**		4,958
General and administrative		**38,751**		63,292		**81,689**		127,711
	$	**135,372**	$	288,235	**$**	**256,815**	$	542,947

(Expressed In Canadian Dollars)

13. SEGMENTED INFORMATION

Operating segments were identified on the basis of internal reporting reviews performed by management. Three segments were identified based on the geographical areas and the reporting structure. The accounting policies of the reportable segments are the same as the Company's accounting policies. The Company operates in two geographical operating segments based in Argentina and Paraguay in addition to its corporate activities in Canada. The Company analyses the performance of operating segments based on loss before taxes. Segmented information consists of the following:

	Canada	Paraguay	Argentina	Total
As at June 30, 2014				
Current assets	**$ 112,290**	**$ 1,040,684**	**$ 29,521**	**$ 1,182,495**
Property, plant and equipment	**1,570**	**1,365,687**	**-**	**1,367,257**
Property rights, evaluation and exploration costs	**-**	**15,397,173**	**1**	**15,397,174**
Total liabilities	**366,921**	**1,451,526**	**684**	**1,819,131**
For the six months ended June 30, 2014				
Net foreign exchange gain (loss)	**199**	**(14,779)**	**-**	**(14,580)**
Depreciation	**(1,085)**	**(3,270)**	**-**	**(4,355)**
Net loss	**(320,316)**	**(149,364)**	**(15,891)**	**(485,571)**
For the three months ended June 30, 2014				
Net foreign exchange gains	**199**	**(8,556)**	**-**	**(8,357)**
Depreciation	**(542)**	**(1,576)**	**-**	**(2,118)**
Net loss	**(131,417)**	**(66,771)**	**(15,891)**	**(214,079)**

	Canada	Paraguay	Argentina	Total
As at December 31, 2013				
Current assets	$ 122,832	$ 301,927	$ 37,884	$ 462,643
Property, plant and equipment	2,655	1,515,865	-	1,518,520
Property rights, evaluation and exploration costs	-	14,764,420	1	14,764,421
Total liabilities	429,829	444,886	67	874,782
For the six months ended June 30, 2013				
Interest and royalty income	1,926	-	1,747	3,673
Net foreign exchange gains (losses)	271,159	(89,957)	1,451	182,653
Depreciation	(921)	(4,037)	-	(4,958)
Net loss	(747,016)	(194,237)	(55,261)	(996,514)
For the three months ended June 30, 2013				
Interest and royalty income	524	-	1,689	2,213
Net foreign exchange gains (losses)	56,316	875	(10,612)	46,579
Depreciation	(483)	(2,033)	-	(2,516)
Net loss	(409,994)	(44,178)	(26,436)	(480,608)

(Expressed In Canadian Dollars)

14. RELATED PARTY TRANSACTIONS

During the three and six months ended June 30, 2014, the Company incurred the following related party transactions:

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

(a) $18,000 and $36,204, respectively (three and six months ended June 30, 2013 - $40,353 and $80,472, respectively) in fees paid to the Chief Executive Officer of the Company pursuant to an employment contract.

(b) $16,200 and $33,132, respectively (three and six months ended June 30, 2013 - $36,000 and $72,000, respectively) in fees paid to the Chief Financial Officer of the Company pursuant to an employment contract.

(c) $30,400 and $56,400, respectively (three and six months ended June 30, 2013 - $30,400 and $57,000, respectively) in director fees. As at June 30, 2014, $117,400 director fees remained payable along with director's expenses of $nil (December 31, 2013 - $61,000 director fees and $22,382 directors' expenses).

(d) $5,145 and $16,372, respectively (three and six months ended June 30, 2013 - $22,010 and $38,348, respectively) in legal fees to a law firm, Gowling Lafleur Henderson LLP, of which a partner is a director of the Company. As at June 30, 2014, the amount of $48,777 (December 31, 2013 - $30,282) remained payable.

(e) $9,812 and $26,366, respectively (three and six months ended June 30, 2013 - $15,354 and $30,474, respectively) to a director of the Company pursuant to a service contract for geological services. As of June 30, 2014, $500 (December 31, 2013 - $nil) was owed to the director.

(f) Please refer to note 9 for notes payable issued and repaid back to certain directors of the Company.

Key management compensation:

The compensation expense for key management is as follows:

	Three months ended		Six months ended	
	June 30, 2014	**June 30, 2013**	**June 30, 2014**	**June 30, 2013**
Directors (i)	**$ 30,400**	$ 30,400	**$ 56,400**	$ 57,600
Officers	**$ 38,778**	$ 76,353	**$ 69,336**	$ 152,472
Share-based payments	**$ 19,796**	$ 139,439	**$ 77,152**	$ 139,439

(i) As part of the Company's cost containment measures, director fees are accrued and not paid.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions were as follows:

The depreciation for the six months ended June 30, 2014 was $192,221 (six months ended June 30, 2013 - $265,181), of which $187,866 (six months ended June 30, 2013 - $260,223) was charged to property rights, evaluation and exploration cost and the balance of $4,355 (six months ended June 30, 2013 - $4,958) was reflected as depreciation expense in the condensed interim consolidated statement of loss and comprehensive loss.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (continued)

Interest payments:

The interest payment during the three and six months ended June 30, 2014 includes $6,408 interest on the bank loans and $14,433 interest on the notes payable.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities expose to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks.

Market Risk

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Company primarily operates in Argentina and Paraguay. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency. 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 the Company's foreign currency denominated monetary assets and liabilities in Canadian dollars as at June 30, 2014 is as follows:

	Assets CAD$	Liabilities CAD$
Argentine pesos	$ 1,270	$ -
Paraguayan guaranies	772,232	526,194
United States dollars	558	1,040,434
	$ 774,060	$ 1,566,628

Sensitivity

Based on the financial instruments held as at June 30, 2014, had the Canadian dollar weakened/strengthened by 10% against these foreign currencies with all other variables held constant, the Company's post-tax loss for the year would have been $79,257 higher/lower as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments as detailed above. The Company's deficit would have been $79,257 higher/lower had the Canadian dollar weakened/strengthened by 10% as a result of foreign exchange gains/losses on translation of non-Canadian dollar denominated financial instruments.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market Risk (continued)

Cash flow fair value interest rate risk

The Company does not have any variable interest bearing borrowings for which general rate fluctuations apply. The Company is exposed to interest rate risk to the extent of the funds invested in the Company's bank accounts.

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. Thus the credit risk associated with amounts receivable is also considered to be negligible.

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 (See notes 1 and 10).

As at June 30, 2014, the Company had a working capital of $181,994 (December 31, 2013 - $236,434), and anticipates that until the envisaged heap-leach plant is in operation, the bulk-sampling facility at current gold prices will not provide sufficient funds to cover all corporate expenditures for the next 12 month. Cash constraints have caused the company consider financing alternatives while contemplating minimal shareholder dilution.

The Company's expected sources of cash flow in the upcoming year will be from proceeds of doré sales from its bulk sampling facility combined with the envisaged production from the heap-leach facility to be constructed at the Paso Yobai gold project, Paraguayan sales tax recoveries, possible equity financings, loans, lease financing and entering into joint venture agreements; or any combination thereof.

Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors mineral prices to determine its appropriate course of action. Commodity price risk may affect the proceeds generated from bulk sampling and also the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations. A decline in the market prices for these minerals could negatively impact the Company's future operations. The Company has not hedged any of its gold sales.

(Expressed In Canadian Dollars)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair Value Estimation

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies, however considerable judgment is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement, or for disclosure purposes. The carrying values of cash and cash equivalents, amounts receivable, accounts payable, accrued liabilities and notes payable are assumed to approximate their fair values due to their short-term nature.

Capital Management

The Company defines capital that it manages as its shareholders' equity. As at June 30, 2014, the total managed capital was $16,345,743.

	June 30, 2014	December 31, 2013
Capital stock	**$ 21,405,874**	$ 21,229,836
Warrants	**2,529,273**	2,286,891
Contributed surplus	**9,064,701**	8,973,923
Accumulated other comprehensive income	**876,555**	425,241
Deficit	**(17,530,660)**	(17,045,089)
	$ 16,345,743	$ 15,870,802

The Company manages and adjusts its capital structure in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company manages capital through its financial and operational forecasting processes, and reviews its working capital and cash flow forecasts based on operating expenditures and other investing and financing activities. Forecasts are updated based on activities related to its mineral properties. Selected information is provided to the board of directors of the Company. There were no changes to the Company's objectives in managing and maintaining capital during the three and six months ended June 30, 2014.

The Company's objectives when managing capital are:

(a) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new investments;

(b) to produce sustained growth in shareholder value by increasing shareholders' equity; and

(c) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Capital Management (continued)

The Company maintains or adjusts its capital level to enable it to meet its objectives by:

(a) realizing proceeds from the sale of doré produce by bulk sampling; and

(b) raising capital through equity and debt financings.

The Company is not subject to any capital requirements imposed by a lending institution.

17. SUBSEQUENT EVENT

On July 11, 2014, the Company issued 10,000,000 common shares to Pinetree Capital Ltd. ("Pinetree") at a deemed price of $0.10 per share for a transaction value of $1,000,000 in exchange for 2,000,000 common shares of Pinetree at a deemed price of $0.50 per share. The Company's and Pinetree shares are subject to a four-month hold period.