



**Plata Latina Minerals Corporation**

Consolidated Financial Statements  
**For the Year Ended December 31, 2014**

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**Plata Latina Minerals Corporation**

We have audited the accompanying consolidated financial statements of **Plata Latina Minerals Corporation**, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 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.

## **Auditors' 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 audits 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 auditors' 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 auditors consider 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 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 **Plata Latina Minerals Corporation** as at December 31, 2014 and 2013 and its financial performance and its cash flows for 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 indicates that **Plata Latina Minerals Corporation** incurred a net loss of \$920,077 during the year ended December 31, 2014. In addition, the Company has a deficit of \$4,873,002. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Vancouver, Canada  
April 30, 2015

*Ernst & Young LLP*

Chartered Accountants

**Plata Latina Minerals Corporation**  
Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

|   | December 31,<br>2014 | December 31,<br>2013 |
|---|----------------------|----------------------|
| <b>Assets:</b>  |                      |                      |
| <b>Current assets:</b>                                  |                      |                      |
| Cash and cash equivalents                               | \$ 220,202           | \$ 921,943           |
| Amounts receivable (notes 3 and 10)                     | 1,088,442            | 912,833              |
| Prepaid expenses (note 9)                               | 110,406              | 103,022              |
|   | <u>1,419,050</u>     | <u>1,937,798</u>     |
| Exploration and evaluation expenditures (note 5)        | 7,382,978            | 6,457,866            |
| Property, plant and equipment                           | 34,480               | 13,482               |
| Other assets (note 9 and 10)                            | 129,402              | 143,613              |
|   | <u>8,965,910</u>     | <u>8,552,759</u>     |
| <b>Total assets</b>                                     | <b>\$ 8,965,910</b>  | <b>\$ 8,552,759</b>  |
| <b>Shareholders' equity:</b>                            |                      |                      |
| Common shares (note 6)                                  | \$ 11,072,622        | \$ 10,063,184        |
| Reserves (note 6)                                       | 1,596,044            | 1,729,683            |
| Deficit   | (4,873,002)          | (3,952,925)          |
|   | <u>7,795,664</u>     | <u>7,839,942</u>     |
| <b>Liabilities:</b>                                     |                      |                      |
| Deferred tax liability (note 7)                         | 808,753              | 651,800              |
| Deferred rent (note 10)                                 | 135,629              | -                    |
| <b>Current liabilities:</b>                             |                      |                      |
| Accounts payable and accrued liabilities (note 4 and 9) | 77,905               | 57,107               |
| Deferred rent – current portion (note 10)               | 147,959              | -                    |
| Income tax payable                                      | -                    | 3,910                |
|   | <u>225,864</u>       | <u>61,017</u>        |
| <b>Total shareholders' equity and liabilities</b>       | <b>\$ 8,965,910</b>  | <b>\$ 8,552,759</b>  |

Commitments (note 10)  
Subsequent Events (note 12)

*These consolidated financial statements have been authorized for issue by the Board of Directors on April 30, 2015.*

APPROVED BY THE DIRECTORS

/signed/ Michael Clarke  
Michael Clarke, President and Chief Executive Officer

/signed/ Gilmour Clausen  
Gilmour Clausen, Chairman

*The accompanying notes form an integral part of these consolidated financial statements.*

## Plata Latina Minerals Corporation

### Consolidated Statements of Loss and Comprehensive Loss (Expressed in Canadian Dollars)

|   | Year ended<br>December 31,<br>2014 | Year ended<br>December 31,<br>2013 |
|---|------------------------------------|------------------------------------|
| Expenses:   |                                    |                                    |
| Salaries and benefits (note 9)                    | \$ 379,938                         | \$ 334,583                         |
| Office and administration (note 9)                | 99,634                             | 115,933                            |
| Professional services                             | 69,998                             | 86,774                             |
| Rent  | 82,510                             | 81,335                             |
| Share-based payments (note 6)                     | 16,101                             | 68,311                             |
| Investor relations                                | 13,193                             | 43,154                             |
| Exploration (note 5)                              | 34,867                             | 28,601                             |
| Filing and regulatory                             | 9,036                              | 14,738                             |
| Fiscal and advisory services                      | 11,966                             | 11,169                             |
| Travel  | 15,704                             | 7,786                              |
| Bad debt expense                                  | 15,031                             | -                                  |
| Depreciation                                      | 1,507                              | 1,623                              |
| Loss from operations                              | ( 749,485)                         | (794,007)                          |
| Interest income                                   | 4,933                              | 20,450                             |
| Foreign exchange gain (loss)                      | 8,896                              | (21)                               |
| Finance costs                                     | (1,821)                            | (2,249)                            |
| Net loss before tax                               | (737,477)                          | (775,827)                          |
| Income tax expense (note 7)                       | (182,600)                          | (658,175)                          |
| <b>Net loss for the year</b>                      | <b>(920,077)</b>                   | <b>(1,434,002)</b>                 |
| Other comprehensive income:                       |                                    |                                    |
| Items that may be reclassified to profit or loss: |                                    |                                    |
| Foreign currency translation differences          | (261,326)                          | 244,993                            |
| <b>Comprehensive loss for the year</b>            | <b>\$ (1,181,403)</b>              | <b>\$ (1,189,009)</b>              |
| Basic and diluted net loss per share              | \$ (0.015)                         | \$ (0.026)                         |
| Weighted average number of shares outstanding     | 60,079,484                         | 55,231,497                         |

*The accompanying notes form an integral part of these consolidated financial statements.*

## Plata Latina Minerals Corporation

### Consolidated Statements of Changes in Equity (Expressed in Canadian Dollars)

|   | Share capital (note 6) |                      | Reserves                               |                      |                     |                    | Total Equity        |
|---|------------------------|----------------------|--|----------------------|---------------------|--------------------|---------------------|
|   | Number of Shares       | Amount               | Accumulated other comprehensive income | Options and warrants | Reserves Total      | Deficit            |                     |
| Balance, January 1, 2014  | 56,202,826             | \$ 10,063,184        | \$ 257,665                             | \$ 1,472,018         | \$ 1,729,683        | \$ (3,952,925)     | \$ 7,839,942        |
| Share-based payments expense  | -                      | -                    | -                                      | 16,101               | 16,101              | -                  | 16,101              |
| Share-based payments applied to exploration and evaluation expenditures | -                      | -                    | -                                      | 4,389                | 4,389               | -                  | 4,389               |
| Shares issued for cash  | 11,230,000             | 1,123,000            | -                                      | -                    | -                   | -                  | 1,123,000           |
| Fair value of warrants issued   | -                      | (107,197)            | -                                      | 107,197              | 107,197             | -                  | -                   |
| Share issue costs   | -                      | (6,365)              | -                                      | -                    | -                   | -                  | (6,365)             |
| Comprehensive income (loss)   | -                      | -                    | (261,326)                              | -                    | (261,326)           | (920,077)          | (1,181,403)         |
| <b>Balance, December 31, 2014</b>                                       | <b>67,432,826</b>      | <b>\$ 11,072,622</b> | <b>\$ (3,661)</b>                      | <b>\$ 1,599,705</b>  | <b>\$ 1,596,044</b> | <b>(4,873,002)</b> | <b>\$ 7,795,664</b> |

|   | Share capital (note 6) |                      | Reserves                                      |                      |                     |                    | Total Equity        |
|---|------------------------|----------------------|---|----------------------|---------------------|--------------------|---------------------|
|   | Number of Shares       | Amount               | Accumulated other comprehensive income (loss) | Options and warrants | Reserves Total      | Deficit            |                     |
| Balance, January 1, 2013  | 47,957,826             | \$ 7,625,668         | \$ 12,672                                     | \$ 804,120           | \$ 816,792          | \$ (2,518,923)     | \$ 5,923,537        |
| Share-based payments expense  | -                      | -                    | -   | 68,311               | 68,311              | -                  | 68,311              |
| Share-based payments applied to exploration and evaluation expenditures | -                      | -                    | -   | 19,090               | 19,090              | -                  | 19,090              |
| Shares issued for cash  | 8,245,000              | 3,298,000            | -   | -                    | -                   | -                  | 3,298,000           |
| Fair value of warrants issued   | -                      | (547,639)            | -   | 547,639              | 547,639             | -                  | -                   |
| Share issue costs   | -                      | (312,845)            | -   | 32,858               | 32,858              | -                  | (279,987)           |
| Comprehensive income (loss)   | -                      | -                    | 244,993                                       | -                    | 244,993             | (1,434,002)        | (1,189,009)         |
| <b>Balance, December 31, 2013</b>                                       | <b>56,202,826</b>      | <b>\$ 10,063,184</b> | <b>\$ 257,665</b>                             | <b>\$ 1,472,018</b>  | <b>\$ 1,729,683</b> | <b>(3,952,925)</b> | <b>\$ 7,839,942</b> |

The accompanying notes form an integral part of these consolidated financial statements.

# Plata Latina Minerals Corporation

## Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

|  | Year ended<br>December 31,<br>2014 | Year ended<br>December 31,<br>2013 |
|--|------------------------------------|------------------------------------|
| Cash provided by (used in):                                  |                                    |                                    |
| <b>Operating activities:</b>                                 |                                    |                                    |
| Net loss before tax  | \$ (737,477 )                      | \$ (775,827)                       |
| Adjustments to reconcile loss before tax to net cash flows:  |                                    |                                    |
| Share-based payments   | 16,101                             | 68,311                             |
| Unrealized foreign exchange loss                             | (22,581)                           | 10,344                             |
| Bad debt expense   | 15,031                             | -                                  |
| Depreciation   | 1,507                              | 1,623                              |
| Income taxes paid  | (9,887)                            | (2,465)                            |
|  | <u>(737,306)</u>                   | <u>(698,014)</u>                   |
| Net changes in non-cash working capital items:               |                                    |                                    |
| Amounts receivable   | (261,194)                          | (188,992)                          |
| Prepaid expenses   | 23,568                             | (8,492)                            |
| Accounts payable and accrued liabilities                     | 17,375                             | (28,173)                           |
|  | -                                  | -                                  |
| Deferred rent – current portion                              | 147,959                            | -                                  |
| <b>Cash used in operating activities</b>                     | <b><u>(809,598)</u></b>            | <b><u>(923,671)</u></b>            |
| <b>Financing activities:</b>                                 |                                    |                                    |
| Proceeds from private placement                              | 1,123,000                          | 3,298,000                          |
| Share issue costs  | (6,365)                            | (279,987)                          |
| Deferred rent  | 135,629                            | -                                  |
| <b>Cash provided by (used in) financing activities</b>       | <b><u>1,252,264</u></b>            | <b><u>3,018,013</u></b>            |
| <b>Investing activities:</b>                                 |                                    |                                    |
| Exploration and evaluation expenditures                      | (1,135,074)                        | (1,966,772)                        |
| Purchase of property, plant and equipment                    | (32,703)                           | (6,773)                            |
| IVA refund received  | 37,287                             | -                                  |
| Other assets and deposits                                    | (16,741)                           | (131,365)                          |
| <b>Cash used in investing activities</b>                     | <b><u>(1,147,231)</u></b>          | <b><u>(2,104,910)</u></b>          |
| Effect of exchange rate changes on cash and cash equivalents | 2,824                              | (19,980)                           |
| <b>Decrease in cash and cash equivalents</b>                 | <b><u>(701,741)</u></b>            | <b><u>(30,548)</u></b>             |
| Cash and cash equivalents, beginning of year                 | 921,943                            | 952,491                            |
| <b>Cash and cash equivalents, end of year</b>                | <b><u>\$ 220,202</u></b>           | <b><u>\$ 921,943</u></b>           |
| Cash and cash equivalent balances, end of year comprise:     |                                    |                                    |
| Cash   | \$ 83,180                          | \$ 181,943                         |
| Guaranteed Investment Certificates                           | 137,022                            | 740,000                            |
| <b>Total cash and cash equivalents</b>                       | <b><u>\$ 220,202</u></b>           | <b><u>\$ 921,943</u></b>           |

*The accompanying notes form an integral part of these consolidated financial statements.*

# Plata Latina Minerals Corporation

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2014

(Expressed in Canadian Dollars, unless otherwise stated)

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## 1. Nature of operations and going concern

Plata Latina Minerals Corporation ("Plata") was incorporated on April 1, 2010 and is organized under the laws of British Columbia, Canada. Plata's corporate office is located at Suite 555 – 999 Canada Place, Vancouver, British Columbia, Canada, V6C 3E1. The consolidated financial statements as at December 31, 2014 consist of Plata and its five wholly-owned subsidiaries: Plaminco S.A. de C.V. ("Plaminco"), Minera Central Vaquerias S.A. de C.V. ("MCV"), Minera Exploradora del Centro S.A. de C.V. ("MEC"), Servicio PLMC ("Servicio") and Plata Latina US Ltd. ("Plata US", collectively referred to as the "Company"). Plaminco, MCV, MEC and Servicio are organized under the laws of Mexico and Plata US is organized under the laws of Colorado. On April 11, 2012, Plata began trading on the TSX Venture Exchange ("TSX-V") under the symbol "PLA".

The Company is in the process of acquiring and exploring mineral property interests and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The amounts shown as exploration and evaluation expenditures represent acquisition and exploration costs and do not necessarily represent present or future values. Recoverability of the amounts shown for exploration and evaluation expenditures is dependent upon: the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral properties, and future profitable production or proceeds from the disposition of the mineral properties.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title.

The Company has not generated revenue from operations. At December 31, 2014, the Company had cash and cash equivalents of \$220,202, working capital of \$1,193,186, a net loss for the year ended December 31, 2014 of \$920,007, and a deficit of \$4,873,002. On August 27, 2014, Plata closed a non-brokered private placement for \$1,123,000 (the "August Offering"). Notwithstanding the August Offering, the Company does not have sufficient working capital to fund operations for the next 12 months. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and the Company is dependent on raising additional financing. Plata has historically raised funds principally through the sale of securities. The Company expects that it will obtain funding through equity financing, debt financing or some other means depending on market conditions and other relevant factors at the time. However, there can be no assurance that the Company will be able to obtain such additional funding or obtain it on acceptable terms. These consolidated financial statements do not give effect to any adjustment which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the consolidated financial statements.

## 2. Basis of Presentation

### a) *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The accounting policies applied in these consolidated financial statements are based on IFRS effective for the year ending December 31, 2014 as issued and outstanding as of April 30, 2015, the date the Board of Directors approved the statements.

## Plata Latina Minerals Corporation

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2014

(Expressed in Canadian Dollars, unless otherwise stated)

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### b) *Basis of preparation*

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements are prepared in Canadian dollars. The functional currency of Plata is Canadian dollars, the functional currency of Plaminco, MCV, MEC and Servicio is Mexican pesos, and the functional currency of Plata US is the United States dollar.

### c) *Basis of consolidation*

These consolidated financial statements include the accounts of Plata and its 100% owned subsidiaries, Plaminco, MCV, MEC, Servicio and Plata US. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

### d) *Foreign currency*

The consolidated financial statements are presented in Canadian dollars. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### *Foreign currency translation*

Transactions in currencies other than the functional currency are recorded at rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation of non-monetary items are recognised in the profit or loss or other comprehensive income (loss), should specific criteria be met.

#### *Foreign operations*

A subsidiary that has a functional currency other than Canadian dollars translates its statement of operations items to Canadian dollars at the average rate during the period. Assets and liabilities are translated at exchange rates prevailing at the end of each reporting period. Exchange variations resulting from the retranslation at closing rate of the net investment in such subsidiaries, together with differences between their statement of operations items translated at actual and average rates, are recognized in other comprehensive income (loss) as part of the foreign currency translation reserve.

For the purpose of foreign currency translation, the net investment in a foreign operation is determined inclusive of foreign currency intercompany balances for which settlement is neither planned nor likely to occur in the foreseeable future. The balance of the foreign currency translation

## Plata Latina Minerals Corporation

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2014

(Expressed in Canadian Dollars, unless otherwise stated)

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reserve relating to a foreign operation that is disposed of, or partially disposed of, is recognized in the statement of operations at the time of disposal.

e) *Cash and cash equivalents*

Cash and cash equivalents include amounts held in banks and short-term investments with maturities at a point of purchase of 90 days or less or are cashable after 30 days at the option of the Company. Interest from cash and cash equivalents is recorded on an accrual basis.

f) *Amounts receivable*

Amounts receivable are stated at carrying value less provision for impairment, which approximates fair value due to short terms to maturity. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due accordingly.

g) *Mineral exploration and evaluation expenditures*

*Pre-license costs*

Pre-license costs are expensed in the period in which they are incurred.

*Exploration and evaluation costs*

Once the legal right to explore has been acquired, exploration and evaluation expenditures will be capitalized, unless the directors conclude that a future economic benefit is not likely to be realized, in which case the expenditures will be charged to profit or loss as incurred. These costs include, but are not limited to, drilling costs, payments made to contractors, materials and fuels used and surveying costs.

At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment at the end of each reporting period. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, they are charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

h) *Property, plant and equipment*

Property, plant and equipment ("PPE") is stated at historical cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

# Plata Latina Minerals Corporation

## Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars, unless otherwise stated)

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Depreciation is calculated on a straight line basis over the following terms:

|                        |         |
|------------------------|---------|
| Office furniture       | 5 Years |
| Leasehold improvements | 5 Years |
| Vehicles               | 3 Years |
| Equipment              | 3 Years |
| Computer hardware      | 2 Years |

i) *Financial instruments*

*Financial assets*

Upon initial recognition all financial assets are initially recorded at fair value and designated into one of the following four categories: held to maturity, available-for-sale, loans and receivables, or at fair value through profit or loss ("FVTPL"). The designation depends on the purpose for which the financial assets were acquired.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company has not designated any financial assets upon initial recognition as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's cash and cash equivalents and amounts receivable are classified as loans and receivables. The Company did not have any held-to-maturity investments for the years ending December 31, 2014 or 2013.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains or losses recognized in other comprehensive income and loss except for losses in value that are considered impairments which are recognized in earnings. The Company did not have any available-for-sale financial assets for the years ending December 31, 2014 or 2013.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

*Financial liabilities*

All of the Company's financial liabilities are classified as other financial liabilities. The Company does not have any financial liabilities classified as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, to, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and deferred rent are classified as other financial liabilities.

j) *Impairment of assets*

At the end of each reporting period, the Company assesses each long lived asset or cash generating unit to determine whether there is any indication that those assets are impaired. If any such

## Plata Latina Minerals Corporation

Notes to the Consolidated Financial Statements

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indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of the fair value less cost to dispose and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risk of a specific asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. 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.

When an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### k) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability.

#### *Decommissioning and restoration provisions*

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The Company recognizes a liability for decommissioning and restoration provision ("DRP") in the period in which it is incurred if a reasonable estimate of the costs can be made. The Company records the present value of the estimated future cash flows associated with site closure and reclamation as a liability when it is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized costs are amortized over the life of the related assets. The DRP is adjusted each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the discount rate. The Company has no material DRP as of December 31, 2014 and 2013.

### l) Income taxes

#### *Current income tax*

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

## Plata Latina Minerals Corporation

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(Expressed in Canadian Dollars, unless otherwise stated)

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### *Deferred income tax*

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets are reviewed at the end of each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes of the same taxable entity and levied by the same taxation authority.

Deferred tax is provided using the balance sheet 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 for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination that affect neither accounting or taxable profit or loss. Deferred tax is also not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

### *m) Share capital*

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

### *n) Accounting for warrants*

The fair value of warrants issued in connection with common share placements are recognized on the date of issue as reserves. The Company uses the Black-Scholes option pricing model to estimate the fair value of the warrants issued.

### *o) Loss per share*

The Company presents basic and fully diluted loss per share for its common shares. Basic loss per share is calculated by dividing loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

### *p) Other comprehensive income (loss)*

Other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to foreign operations.

The Company's comprehensive income (loss), components of other comprehensive income, and cumulative translation adjustments are presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

### *q) Significant accounting estimates, judgements and assumptions*

# Plata Latina Minerals Corporation

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2014

(Expressed in Canadian Dollars, unless otherwise stated)

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The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in future periods affected.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described below.

i. *Carrying value of exploration and evaluation expenditures*

The carrying values and assessment of impairment of exploration and evaluation expenditures is based on costs incurred and management's estimate of net recoverable value. Estimates may not necessarily reflect actual recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to achieve commercial production.

ii. *Options and warrants*

The fair value of options and warrants is determined on the grant date. In order to compute the fair value, the Company uses the Black-Scholes option pricing model which requires management to make certain estimates, judgments, and assumptions in relation to the expected life, expected volatility, expected dividend yield and the risk-free interest rate, as well as the number of options or warrants expected to be exercised.

r) *New accounting policies adopted during the year*

Effective January 1, 2014, the Company adopted IAS 36, *Impairment of Assets*, which provides for additional disclosures that may be required in the event the Company recognises an impairment loss or the reversal of an impairment loss. The adoption of IAS 36 did not result in any changes in the disclosure in the Company's financial statements.

s) *New accounting standards, amendments and interpretations*

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board (IASB) or IFRS Interpretations Committee (IFRIC). Some updates that are not applicable or are not consequential to the Company may have been excluded.

IFRS 9, *Financial Instruments: Classification and Measurement* is a new standard on classification and measurement of financial assets that will replace IAS 39; *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value through profit or loss. The IASB has deferred the mandatory effective date for annual periods beginning on or after January 1, 2018 and has left it open pending the finalization of the impairment and classification and measurement requirements. The Company has not yet assessed the impact of this standard on its financial reporting.

## Plata Latina Minerals Corporation

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2014

(Expressed in Canadian Dollars, unless otherwise stated)

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### 3. Amounts receivable

|   | December 31,<br>2014 |    | December 31,<br>2013 |
|---|----------------------|----|----------------------|
| Mexican value added tax ("IVA") recoverable | \$ 934,437           | \$ | 905,063              |
| Other receivables (note 10)                 | 151,576              |    | 3,699                |
| Income tax receivable                       | 722                  |    | -                    |
| Sales tax receivable                        | 1,707                |    | 4,071                |
|   | <u>\$ 1,088,442</u>  | \$ | <u>912,833</u>       |

The Company anticipates full recovery of the amounts within the next 12 months, and therefore no impairment has been recorded against these receivables. The Company holds no collateral for any receivable amounts outstanding as at December 31, 2014.

At December 31, 2014, 86% of the receivables that were outstanding over one month are comprised of IVA recoverable in Mexico.

### 4. Accounts payable and accrued liabilities

|                               | December 31,<br>2014 |    | December 31,<br>2013 |
|-------------------------------|----------------------|----|----------------------|
| Trade payables                | \$ 54,387            | \$ | 27,762               |
| Accrued liabilities           | 23,518               |    | 28,000               |
| Due to related party (note 9) | -                    |    | 1,345                |
|                               | <u>\$ 77,905</u>     | \$ | <u>57,107</u>        |

All trade payables are non-interest bearing and payable within 30 days. All other payables and accrued liabilities have an average life before payment of 90 days.

# Plata Latina Minerals Corporation

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2014

(Expressed in Canadian Dollars, unless otherwise stated)

## 5. Exploration and evaluation expenditures

The Company holds interest in its mineral properties through its wholly-owned subsidiary, Plaminco.

### **Capitalized**

The following is a summary of movements in exploration and evaluation expenditures during the year ended December 31, 2014:

|   | Naranjillo<br>Project | Vaquerias<br>Project | Palo Alto<br>Project | Total        |
|---|-----------------------|----------------------|----------------------|--------------|
| Balance, January 1, 2014                    | \$ 5,605,109          | \$ 772,304           | \$ 80,453            | \$ 6,457,866 |
| <i>Field work phase:</i>                    |                       |                      |                      |              |
| Contractor and general labour               | -                     | -                    | 3,684                | 3,684        |
| Travel, food and accommodations             | -                     | -                    | 1,705                | 1,705        |
| Camp costs, supplies and other              | -                     | -                    | 404                  | 404          |
| Vehicles and related costs                  | -                     | -                    | 785                  | 785          |
| <i>Drilling phase:</i>                      |                       |                      |                      |              |
| Assaying                                    | 41,491                | -                    | -                    | 41,491       |
| Contract drilling                           | 514,913               | -                    | -                    | 514,913      |
| Contractor and general labour               | 105,031               | 29,124               | -                    | 134,155      |
| Travel, food and accommodations             | 18,386                | 3,812                | -                    | 22,198       |
| Camp costs, supplies and other              | 32,569                | 2,748                | -                    | 35,317       |
| Vehicles and related costs                  | 10,451                | 3,548                | -                    | 13,999       |
| Equipment rentals                           | 4,861                 | 1,966                | -                    | 6,827        |
| <i>Other</i>                                |                       |                      |                      |              |
| Claims, taxes and acquisitions costs        | 34,820                | 66,304               | 8,244                | 109,368      |
| Salaries, benefits and share-based payments | 154,463               | 12,592               | 11,753               | 178,808      |
| Legal                                       | 6,320                 | 7,256                | 12,693               | 26,269       |
| Depreciation                                | 9,935                 | -                    | -                    | 9,935        |
| Environmental                               | 1,824                 | -                    | -                    | 1,824        |
| <i>Foreign exchange movements</i>           | (153,713)             | (20,819)             | (2,038)              | (176,570)    |
| Subtotal additions                          | 781,351               | 106,531              | 37,230               | 925,112      |
| Balance, December 31, 2014                  | \$ 6,386,460          | \$ 878,835           | \$ 117,683           | \$ 7,382,978 |

# Plata Latina Minerals Corporation

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2014

(Expressed in Canadian Dollars, unless otherwise stated)

The following is a summary of changes in exploration and evaluation expenditures during the year ended December 31, 2013:

|   | Naranjillo<br>Project | Vaquerias<br>Project | Palo Alto<br>Project | Total        |
|---|-----------------------|----------------------|----------------------|--------------|
| Balance, January 1, 2013                    | \$ 4,098,551          | \$ 76,987            | \$ 34,897            | \$ 4,210,435 |
| <i>Field work phase:</i>                    |                       |                      |                      |              |
| Assaying                                    | -                     | 1,214                | -                    | 1,214        |
| Contractor and general labour               | -                     | 12,799               | 6,983                | 19,782       |
| Travel, food and accommodations             | -                     | 2,880                | 2,900                | 5,780        |
| Camp costs, supplies and other              | -                     | 2,380                | 385                  | 2,765        |
| Vehicles and related costs                  | -                     | 1,077                | 319                  | 1,396        |
| Geophysical surveys                         | -                     | -                    | 360                  | 360          |
| <i>Drilling phase:</i>                      |                       |                      |                      |              |
| Assaying                                    | 74,690                | 63,489               | -                    | 138,179      |
| Contract drilling                           | 837,542               | 397,455              | -                    | 1,234,997    |
| Contractor and general labour               | 99,796                | 64,821               | -                    | 164,617      |
| Travel, food and accommodations             | 27,987                | 16,201               | -                    | 44,188       |
| Camp costs, supplies and other              | 29,656                | 18,784               | -                    | 48,440       |
| Vehicles and related costs                  | 14,952                | 9,168                | -                    | 24,120       |
| Equipment rentals                           | 3,662                 | 4,629                | -                    | 8,291        |
| Geophysical surveys                         | 1,713                 | 1,034                | -                    | 2,747        |
| <i>Other</i>                                |                       |                      |                      |              |
| Claims, taxes and acquisitions costs        | 31,467                | 51,304               | 14,524               | 97,295       |
| Salaries, benefits and share-based payments | 142,872               | 29,455               | 8,944                | 181,271      |
| Legal                                       | 3,261                 | 7,170                | 9,424                | 19,855       |
| Depreciation                                | 25,398                | -                    | -                    | 25,398       |
| Environmental                               | 2,919                 | 7,987                | 63                   | 10,969       |
| Foreign exchange movements                  | 210,643               | 3,470                | 1,654                | 215,767      |
| Subtotal additions                          | 1,506,558             | 695,317              | 45,556               | 2,247,431    |
| Balance, December 31, 2013                  | \$ 5,605,109          | \$ 772,304           | \$ 80,453            | \$ 6,457,866 |

### Naranjillo Project

The mineral exploration concessions were issued by the Mexican General Directorate of Mines ("GDM") as follows:

| Licence       | Hectares | Date received      | Licence valid until |
|---------------|----------|--------------------|---------------------|
| La Sibila     | 4,749    | April 20, 2011     | April 19, 2061      |
| La Sibila I   | 2,957    | September 23, 2011 | September 22, 2061  |
| La Sibila II  | 3,776    | August 26, 2011    | August 25, 2061     |
| La Sibila III | 18,059   | April 10, 2013     | April 9, 2063       |

### Vaquerias Project

The Company has the right to purchase the core Vaquerias license, consisting of 100 hectares, through a purchase option agreement dated June 30, 2011 and extended on June 15, 2014. The option agreement gives the Company the right to purchase the Vaquerias license for US\$530,000 over 78 months from June 30, 2011, with the vendors retaining a 2% net smelter return ("Vaquerias Option"). In addition, the Company has the option of purchasing the net smelter return for US\$500,000 within 18 months of exercising the Vaquerias Option. During the year ended December 31, 2014, the Company paid the vendors US\$40,000 in accordance the terms of the option

# Plata Latina Minerals Corporation

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2014

(Expressed in Canadian Dollars, unless otherwise stated)

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agreement (cumulative to December 31, 2014 – US\$100,000), and payments totalling US\$430,000 remain outstanding to purchase the Vaquerias license.

In addition to the Vaquerias Option, during the year the Company held three titled adjacent concessions, known as Sol, Luna and Tierra. The Sol and Luna licenses were issued by the GDM to Plaminco on December 13, 2011 and December 8, 2011, respectively. Together, these two licenses cover 8,400 hectares and are valid for fifty years following issuance of title. The Tierra licence was issued on April 13, 2012 and was withdrawn by the Company in December 2014.

### *Palo Alto Project*

The Palo Alto project consists of the Catalina, Catalina II, Catalina III and Catalina IV licenses. The Catalina, Catalina II, Catalina III, and Catalina IV licenses were issued by the GDM to Plaminco on November 22, 2012, November 4, 2011, November 30, 2011, and October 10, 2014 respectively. Together, all four licenses cover 7,890 hectares and are valid for fifty years following issuance of title.

### **Expensed**

The following is a summary of exploration and evaluation expenditures expensed by category:

|                                 | December 31,<br>2014 | December 31,<br>2013 |
|---------------------------------|----------------------|----------------------|
| Assaying                        | \$ -                 | \$ -                 |
| Contractor and general labour   | 604                  | 4,278                |
| Travel, food and accommodations | 692                  | 3,505                |
| Camp costs, supplies and other  | -                    | 1,965                |
| Vehicles and related costs      | 131                  | 364                  |
| Environmental                   | -                    | -                    |
| Claims and taxes                | 29,783               | 16,962               |
| Salaries and benefits           | -                    | -                    |
| Legal                           | 3,657                | 1,527                |
| Total                           | <u>\$ 34,867</u>     | <u>\$ 28,601</u>     |

### *La Joya Project*

The GDM issued title to the La Carmen license for the La Joya Project on December 21, 2010. The La Carmen concession covers 5,635 hectares, and is valid until December 20, 2060.

### *Los Agustinos Project*

The Los Agustinos project included the titled Felipe Mateo license issued by the GDM to Plaminco on December 13, 2011 for 6,966 hectares. This license was withdrawn in December 2014.

## **6. Capital and reserves**

### *a) Authorized share capital*

At December 31, 2014, the authorized share capital comprised of an unlimited number of common shares. The common shares do not have a par value and all issued common shares are fully paid.

# Plata Latina Minerals Corporation

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2014

(Expressed in Canadian Dollars, unless otherwise stated)

### b) Reconciliation of changes in share capital

|   | December 31, 2014 |               | December 31, 2013 |               |
|---|-------------------|---------------|-------------------|---------------|
|   | Number of Shares  | Amount        | Number of Shares  | Amount        |
| Balance, beginning of period            | 56,202,826        | \$ 10,063,184 | 47,957,826        | \$ 7,625,668  |
| Shares issued for cash (note b(i))      | 11,230,000        | 1,123,000     | 8,245,000         | 3,298,000     |
| Fair value allocated to warrants issued | -                 | (107,197)     | -                 | (547,639)     |
| Share issue costs                       | -                 | (6,365)       | -                 | (312,845)     |
| Balance, end of period                  | 67,432,826        | \$ 11,072,622 | 56,202,826        | \$ 10,063,184 |

#### i. Shares issued for cash

##### *Private Placement August 27, 2014*

On August 27, 2014, Plata completed a non-brokered private placement of 11,230,000 units at \$0.10 per unit for gross proceeds of \$1,123,000. Each unit comprises a common share and one-half of one common share purchase warrant. Each full warrant is exercisable into one common share of the Company at an exercise price of \$0.25 per common share for a period of two years expiring on August 27, 2016.

The Company determined that the fair value of the warrants issued on August 27, 2014 was \$107,197. This fair value was determined by separately calculating the fair value of the common shares and the warrants, and prorating these amounts by the actual proceeds received. The assumptions in the Black-Scholes pricing model used to calculate the fair value of the warrants were: an expected life of 2 years; annualized volatility of 87%; a risk free interest rate of 1.1%; and zero expected dividend yield. The expected volatility is based on the historical volatility of the Company's shares.

##### *Private Placement February 12, 2013*

On February 12, 2013, Plata completed a private placement of 8,245,000 units at \$0.40 per unit for gross proceeds of \$3,298,000. Each unit comprises a common share and one-half of one common share purchase warrant. Each full warrant is exercisable into one common share of the Company at an exercise price of \$0.65 per common share for a period of two years expiring on February 12, 2015. The fair value of the 4,369,850 warrants issued in relation to the private placement on February 12, 2013 totalled \$580,497, of which 247,350 were the Broker Warrants with a fair value of \$32,858 recorded as a share issue cost.

In connection with the private placement, the underwriter received a 5.5% cash commission and broker warrants equal to 3.0% of the units issued (the "Broker Warrants"). Each Broker Warrant is exercisable into one common share of the Company at an exercise price of \$0.65 per common share for a period of two years expiring on February 12, 2015. The fair value of the Broker Warrants issued was estimated at \$32,858 using the Black-Scholes option pricing model and recorded as share issue costs.

### c) Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the foreign operations, as well as from the translation of inter-group loans that form the Company's net investment in a foreign subsidiary.

## Plata Latina Minerals Corporation

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2014

(Expressed in Canadian Dollars, unless otherwise stated)

### d) Options and warrants reserve

#### Stock options

On March 1, 2012, the Company's stock option plan was approved by the Board of Directors of the Company which provides eligible directors, officers, employees and consultants with the opportunity to acquire an ownership interest in the Company and is the basis for the Company's long-term incentive scheme.

There was no change in the Company's stock options during the year ended December 31, 2014.

The following table provides information on stock options outstanding and exercisable at December 31, 2014:

| Grant Date     | Exercise Price | Options Outstanding |   | Options Exercisable |   |
|----------------|----------------|---------------------|---|---------------------|---|
|                |                | Number of Options   | Weighted average remaining contractual life (years) | Number of Options   | Weighted average remaining contractual life (years) |
| April 11, 2012 | \$0.50         | 1,055,000           | 2.28  | 1,021,666           | 2.28  |
|                |                | 1,055,000           | 2.28  | 1,021,666           | 2.28  |

For the year ended December 31, 2014, the Company recognized a share-based payments charge against income of \$16,101 (December 31, 2013 - \$68,311). A further \$4,389 (December 31, 2013 - \$51,368) was capitalized to exploration and evaluation expenditures during the year ended December 31, 2014 based on the proportion of geologist and management time incurred on the capitalized exploration properties. The fair value of the options was estimated using the Black-Scholes option-pricing model. Comparative companies in the process of exploring mineral resource properties were used to assess the historical volatility of the Company.

#### Warrants

The following summarizes the Company's warrants at December 31, 2014:

| Date of Issue     | Exercise Price | Expiry Date       | December 31, 2013 | Issued    | Exercised | Expired | December 31, 2014 |
|-------------------|----------------|-------------------|-------------------|-----------|-----------|---------|-------------------|
| February 12, 2013 | \$0.65         | February 12, 2015 | 4,369,850         | -         | -         | -       | 4,369,850         |
| August 27, 2014   | \$0.25         | August 27, 2016   | -                 | 5,615,000 | -         | -       | 5,615,000         |
|                   |                |                   | 4,369,850         | 5,615,000 | -         | -       | 9,984,850         |

# Plata Latina Minerals Corporation

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2014

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## 7. Income taxes

### *Income tax expense*

The major components of income tax expense for the years ended December 31, 2014 and 2013 are:

|  | December 31,<br>2014 | December 31,<br>2013 |
|--|----------------------|----------------------|
| Current income tax:                              |                      |                      |
| Current income tax charge                        | \$ 5,255             | \$ 6,375             |
| Deferred income tax:                             |                      |                      |
| Relating to Mexican Special Mining Duty          | -                    | 423,300              |
| Relating to origination of temporary differences | 177,345              | 228,500              |
| Income tax expense                               | <u>\$ 182,600</u>    | <u>\$ 658,175</u>    |

A reconciliation between tax expense and accounting profit multiplied by the Company's domestic tax rate for the years ended December 31, 2014 and 2013 is as follows:

|  | December 31,<br>2014 | December 31,<br>2013 |
|--|----------------------|----------------------|
| Net loss before tax  | \$ (737,477)         | \$ (775,827)         |
| Statutory tax rate   | 26%                  | 25.75%               |
| Income tax benefit   | (191,744)            | (199,775)            |
| Reconciling items:   |                      |                      |
| Change in tax rates  | -                    | (14,744)             |
| Difference between statutory and foreign tax rate              | (26,184)             | (24,997)             |
| Difference between statutory and future tax rates              | -                    | (2,047)              |
| Tax losses not recognized in the period that the benefit arose | 220,135              | 158,901              |
| Non-deductible expenses  | (18,057)             | 26,690               |
| Deferred taxes in respect of exploration expenditures          | 177,345              | 228,500              |
| Deferred taxes in respect of Mexican Special Mining Duty       | -                    | 423,300              |
| Other  | 21,105               | 62,347               |
| Income tax expense   | <u>\$ 182,600</u>    | <u>\$ 658,175</u>    |

The applicable statutory rate changed due to changes in the enacted Federal and Provincial tax rates for 2014.

### *Deferred taxes*

Deferred income taxes result primarily from temporary differences in the recognition of certain revenue and expense items from financial and income tax reporting purposes. The approximate tax effect of each item that gives rise to the Company's recognised deferred income tax assets and liabilities as at December 31, 2014 and 2013 are as follows:

|                                      | December 31,<br>2014 | December 31,<br>2013 |
|--------------------------------------|----------------------|----------------------|
| Exploration assets                   | \$ (398,697)         | \$ (228,500)         |
| Mexican Special Mining Duty          | (410,056)            | (423,300)            |
| Non-capital losses                   | -                    | -                    |
| Deferred income tax liabilities, net | <u>\$ (808,753)</u>  | <u>\$ (651,800)</u>  |

## Plata Latina Minerals Corporation

### Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2014

(Expressed in Canadian Dollars, unless otherwise stated)

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The deferred tax expense and associated deferred tax liability of \$808,753 (December 31, 2013 - \$651,800) are non-cash items. In future if the exploration properties are anticipated to be brought into production, the currently unrecognized deferred tax assets may be used to offset the deferred tax liabilities.

The Company's unrecognized unused tax losses and other deductible temporary differences for which no deferred tax asset is recognized consists of the following:

|  | December 31,<br>2014 | December 31,<br>2013 |
|--|----------------------|----------------------|
| Non-capital losses and other future tax deductions | \$ 5,767,000         | \$ 4,323,700         |
| Property, plant and equipment                      | 40,900               | 35,300               |
|  | <u>\$ 5,807,900</u>  | <u>\$ 4,359,000</u>  |

No deferred tax asset has been recognized because the amount of future taxable profit that will be available to realize such assets is not probable. The unrecognized deductible temporary difference will be deducted from taxable income in future years.

As of December 31, 2014, the Company has Canadian loss carry forwards of \$3,427,000 (2013 – \$2,461,000) and Mexican loss carry forwards of \$1,559,400 (2013 – \$920,000) available to reduce future years' income tax for tax purposes. The tax loss carry forwards expire at various times between 2015 and 2034.

#### *Mexican tax law changes*

In December 2013, the Mexican President passed a bill that increased the effective tax rate applicable to the Company's Mexican operations. The law was effective January 1, 2014 and increases the future corporate income tax rate to 30%, creates a 10% withholding tax on dividends paid to non-resident shareholders (subject to any reduction by an Income Tax Treaty) and created a new Extraordinary Mining Duty equal to 0.5% of gross revenues from the sale of gold, silver, and platinum. In addition, the law requires taxpayers with mining concessions to pay a new 7.5% Special Mining Duty. The Extraordinary Mining Duty and Special Mining Duty is tax deductible for income tax purposes. The Special Mining Duty is generally be applicable to earnings before income tax, depreciation, depletion, amortization, and interest. In calculating the Special Mining Duty there are no deductions related to development type costs but exploration and prospecting costs are deductible when incurred.

As a result of the Special Mining Duty becoming enacted in 2013, at the year ended December 31, 2013 the Company recognized a non-cash deferred tax charge of \$423,300. This deferred tax liability will be drawn down to \$nil as a reduction of tax expense over the life of mine as the mine and its related assets are depleted or depreciated. Fluctuations of the deferred tax liability associated the Mexican Special Mining Duty occur due to the foreign currency difference arising from the translation of the non-monetary assets held in Mexican Pesos.

# Plata Latina Minerals Corporation

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2014

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### 8. Financial risk management objectives and policies

The Company's financial instruments are classified into the following categories of financial assets and liabilities (shown at carrying value):

| Category                                 | Measurement                 | December 31,<br>2014 | December 31,<br>2013 |
|--|-----------------------------|----------------------|----------------------|
| Cash and cash equivalents                | Loans and receivables       | \$ 220,202           | \$ 921,943           |
| Amounts receivable                       | Loans and receivables       | \$ 1,088,422         | \$ 912,833           |
| Accounts payable and accrued liabilities | Other financial liabilities | \$ (77,905)          | \$ (57,107)          |
| Deferred rent – current portion          | Other financial liabilities | \$ (147,959)         | \$ -                 |
| Deferred rent                            | Other financial liabilities | \$ (135,629)         | \$ -                 |

#### a) Risk management

The main risks that could adversely affect the Company's financial assets, liabilities and future cash flows are foreign currency risk, liquidity risk, and credit risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Company manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

##### *Foreign currency risk*

The Company incurs expenditures in Canadian dollars, US dollars and Mexican pesos. The functional and reporting currency of the parent company is Canadian dollars. Foreign exchange risk arises due to the amount of the Mexican pesos and US dollar cash, receivables or payables that will vary in Canadian dollar terms due to changes in exchange rates. The Company has not hedged its exposure to currency fluctuations.

At December 31, 2014, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars ("US\$"):

|  | December 31,<br>2014 | December 31,<br>2013 |
|--|----------------------|----------------------|
| Cash                                     | US\$ 8,287           | US\$ 7,259           |
| Accounts payable and accrued liabilities | (13,504)             | (10,639)             |
|  | US\$ (5,217)         | US\$ (3,380)         |

A 10% change of the Canadian dollar against the US dollar at December 31, 2014 would have increased or decreased net loss by \$605 (December 31, 2013 – \$359) and would have increased or decreased the comprehensive loss by \$5,420 (December 31, 2013 – \$2,743). A 10% change of the Canadian dollar against the Mexican peso at December 31, 2014 would have increased or decreased the comprehensive loss by \$621,192 (December 31, 2013 – \$554,776). This analysis assumes that all other variables, in particular interest rates, remain consistent.

##### *Liquidity risk*

Liquidity risk arises through excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company seeks to achieve this by maintaining sufficient cash and cash equivalents (refer to discussion on going concern in note 1).

## Plata Latina Minerals Corporation

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2014

(Expressed in Canadian Dollars, unless otherwise stated)

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### *Commodity price risk*

While no resource estimate has yet been prepared for the Company's core mineral resource property, the market value of the Company is related to the price of silver and the outlook for this mineral. The Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect of its operational activities.

### *Credit risk*

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure on amounts receivable and long-term recoverable tax. Credit risk exposure on bank accounts and short-term investments is limited through maintaining the Company's balances with high-credit quality financial institutions and assessing institutional exposure. IVA recoverable (note 3) represents value added tax receivables generated on the purchase of supplies and services, which are refundable from the Mexican government. A full recovery is expected by management.

The Company's maximum exposure to credit risk as at December 31, 2014 is the carrying value of its cash, amounts receivable and IVA recoverable.

### *b) Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to continue the exploration of mineral properties and to maintain flexible capital which optimizes the costs of capital at an acceptable risk level.

In assessing the capital structure of the Company, management includes in its assessment the components of shareholders' equity and cash and cash equivalents. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. No changes were made in the objectives, policies or procedures during the period ended December 31, 2014.

In order to maximize funds available for its exploration efforts, the Company does not pay out dividends. The Company is not subject to any externally imposed capital requirements.

# Plata Latina Minerals Corporation

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## 9. Related parties

### *Related party transactions*

The Company shares office space, equipment, personnel and various administrative services with other companies related by virtue of certain common directors and management. These services have been mainly provided through a management company equally owned by the related companies. Costs incurred by the management company are allocated between the related companies based on the time incurred and use of services and are charged at cost. In addition, certain other professional administrative services have been provided by other related companies and charged at cost. The Company was charged for the following with respect to these arrangements:

|                           | Year ended December 31, |                   |
|---------------------------|-------------------------|-------------------|
|                           | 2014                    | 2013              |
| Salaries and benefits     | \$ 300,112              | \$ 261,652        |
| Office and administrative | 113,489                 | 201,652           |
| Other assets              | 11,857                  | 147,194           |
|                           | <u>\$ 425,458</u>       | <u>\$ 610,498</u> |

In addition to the above, Plata charged \$1,845 to a related party for administrative services (December 31, 2013 - \$nil). At December 31, 2014, there is an amount due to related companies of \$nil (December 31, 2013 – \$1,345) included in accounts payable and accrued liabilities with respect to these arrangements. Amounts are due on demand, unsecured, and have no terms of repayment. Other assets of \$112,661 (December 31, 2013 – \$143,613) relate to the Company's share of jointly owned assets (primarily security deposits, leasehold improvements, and furniture and equipment) held by the management company. At December 31, 2014, there was a balance of \$39,841 (December 31, 2013 – \$30,912) of prepaid expenses paid to the management company.

### *Compensation of directors and key management personnel*

Director and key management personnel compensation comprised:

|                      | December 31,<br>2014 | December 31,<br>2013 |
|----------------------|----------------------|----------------------|
| Salaries             | \$ 414,031           | \$ 349,949           |
| Non-cash benefits    | 13,065               | 10,002               |
| Share-based payments | 10,060               | 52,064               |
| Total                | <u>\$ 437,156</u>    | <u>\$ 412,015</u>    |

Directors and key management personnel of the Company control 50 percent (December 31, 2013 – 54 percent) of the voting shares of the Company, either directly or through entities over which they have control. The amounts disclosed in the table are the amounts recognized as an expense during the reporting period, other than \$174,416 of the President's salary capitalized to exploration and evaluation expenditures for the year ended December 31, 2013 (December 31, 2013 – \$154,520).

## 10. Commitments

The Company is committed to payments under operating leases for building and other commitments through 2018 in the total amount of approximately \$420,800. Annual payments are:

|                     |            |
|---------------------|------------|
| 2015                | \$ 179,200 |
| 2016                | 163,200    |
| 2017                | 49,500     |
| 2018 and thereafter | 28,900     |

# Plata Latina Minerals Corporation

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On December 1, 2014 Plata assumed the lease of office space held by a former related party. As part of the assumption of the lease agreement, Plata is to be paid \$145,996 which represents 80% of the remaining lease payments (\$295,917) less the amounts in respect of rent owing from Plata (\$14,740) and a related party (\$90,598 – received in December 2014), the purchase of office equipment (\$27,842) and the security deposit (\$16,741) associated with the lease which Plata assumed. The amount representing the remaining lease payments is recognized as deferred rent and amortized over the life of the lease. Effective December 10, 2014 a portion of this office space was rented to two other companies, one being a related party, who are reimbursing Plata for their share of the rent and associated office costs. The amount of Plata's commitment above reflects the total lease amounts payable less the amount received from the two companies renting office space. As at December 31, 2014 the amount of \$145,996 was receivable associated with the lease payment and the amount was received in January 2015.

## 11. Segment information

The Company operates in one industry segment, being mining. Geographic information is as follows:

|  | Canada       | Mexico       | United States | Total        |
|--|--------------|--------------|---------------|--------------|
| Long-term assets as at:                          |              |              |               |              |
| December 31, 2014                                | \$ 1,115,025 | \$ 6,387,252 | \$ 44,583     | \$ 7,546,860 |
| December 31, 2013                                | \$ 962,557   | \$ 5,652,404 | \$ -          | \$ 6,614,961 |
| Net income (loss) before tax for the year ended: |              |              |               |              |
| December 31, 2014                                | \$ (848,309) | \$ (93,286)  | \$ 204,118    | \$ (737,477) |
| December 31, 2013                                | \$ (888,920) | \$ (90,825)  | \$ 203,918    | \$ (775,827) |

## 12. Subsequent Event

### *Issuance of stock options*

On March 2, 2015 the directors of the Company issued options to non-executive directors (3) all of which will be exercisable at \$0.06 per share for 5 years from the date of grant of such options, pursuant to the terms of the stock option plan.

The fair value of stock options is determined on the grant date. In order to compute this fair value, the Company uses the Black-Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of options, expected volatility, expected dividend yield and the risk-free interest rate, as well as the number of options expected to be exercised. Comparative companies in the process of exploring mineral resource properties were used to determine the historical volatility of Plata. The fair value of the 225,000 options granted was estimated at \$10,692. The assumptions used in the pricing model were: an expected life of 5 years; annualized volatility of 112%; a risk free interest rate of 0.79%; and zero expected dividend yield.