



**Plata Latina Minerals Corporation**

Management's Discussion & Analysis  
**For the Three and Six Months ended June 30, 2017**

## INTRODUCTION

This management's discussion and analysis ("MD&A") of Plata Latina Minerals Corporation ("Plata" or the "Company") for the six months ended June 30, 2017, takes into account information available up to August 14, 2017, the date of the MD&A. This MD&A should be read in conjunction with the condensed consolidated interim financial statements for the three and six months ended June 30, 2017 and the audited consolidated financial statements for the year ended December 31, 2016, which are available on the Company's website at [www.plminerals.com](http://www.plminerals.com) as well as on SEDAR website at [www.sedar.com](http://www.sedar.com).

The financial information disclosed in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and comply with International Accounting Standard, IAS 34, *Interim Financial Reporting*.

## FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information which deals with intentions, beliefs, expectations and future results as they pertain to the Company and the Company's industry. This forward-looking information also includes information regarding the financial condition and business of the Company, as they exist at the date of this MD&A. Forward-looking information is often, but not always, identified by the use of words such as "seeks", "believes", "plans", "expects", "intends", "estimates", "anticipates", "objective", "strategy" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. This forward-looking information includes, without limitation, information about the Company's opportunities, strategies, competition, expected activities and expenditures as the Company pursues its business plan, the adequacy of the Company's available cash resources and other statements about future events or results. In particular, and without limiting the generality of the foregoing, this MD&A contains forward-looking information concerning its exploration of the Naranjillo Property (defined herein) and the Company's other properties, which information has been based on exploration on the Naranjillo Property to date, the exploration of other properties of the Company, the proposed expenditures for exploration work and ability to raise further capital. Forward-looking information is information about the future and is inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, such as business and economic risks and uncertainties, including, without limitation, those referred to under the heading "Risks and Uncertainties". The forward-looking information is based on a number of assumptions, including assumptions regarding general market conditions, the availability of financing for proposed transactions and programs on reasonable terms, the ability of outside service providers to deliver services in a satisfactory and timely manner, prevailing commodity prices and exchange rates and prevailing regulatory, tax and environmental laws and regulations. The Company's forward-looking information is based on the beliefs, expectations and opinions of management of the Company on the date the information is provided. For the reasons set forth above, investors should not place undue reliance on forward-looking information.

The Company undertakes no obligation to reissue or update any forward-looking statements or information as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements and information herein are qualified by this cautionary statement.

This MD&A includes many cautionary statements, including those stated under the heading "Risks and Uncertainties". You should read these cautionary statements as being applicable to all related forward-looking information wherever it appears in this MD&A.

## DESCRIPTION OF BUSINESS

Plata was incorporated pursuant to the *Business Corporations Act* (British Columbia) on April 1, 2010. The Company's registered and records office is at Suite 1100 – 1111 Melville Street, Vancouver, BC V6E 3V6, Canada. The Company has 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"). Plaminco is organized under the laws of Mexico and holds the Company's interest in the Naranjillo Property, the Vaquerias Property and the two other properties in the Mexican Silver Belt. MCV, MEC and Servicio were incorporated in Mexico in 2013. Plata US is organized under the laws of Colorado and was incorporated for administrative purposes. On April 11, 2012, Plata began trading on the TSX Venture Exchange under the symbol "PLA".

Plata and its wholly-owned subsidiary, Plaminco, are engaged in mineral exploration, principally in the Mexican Silver Belt in the states of Guanajuato, Aguascalientes and Jalisco, Mexico.

### Strategy

The Company's objective is the discovery of one or more new silver-gold vein districts in the style of the historical San Dimas, Fresnillo, Zacatecas, Guanajuato and Pachuca-Real del Monte districts of Mexico. To achieve this objective, the Company is pursuing a strategy that focuses its efforts on the Mexican Silver Belt and applying knowledge gained from experience working with this deposit style to identify and discover sub-cropping or non-outcropping ore deposits. The Company intends to identify and explore a number of prospects and commenced its initial efforts on the Naranjillo Property where it has discovered a blind, high-grade epithermal silver-gold vein system. Plata is in the process of expanding its focus to the Vaquerias Property and its other properties. In addition, the Company is actively pursuing a field program to identify new opportunities throughout Mexico.

### Naranjillo Property

The Company's focus has been on the exploration of its 100% owned Naranjillo Property ("Naranjillo" or the "Naranjillo Property"), which is situated in Guanajuato, Mexico. After initial early drilling and as a result of the Company's unique exploration strategy, the Company made a high-grade discovery and has continued to explore and evaluate its potential. Naranjillo consists of four government mineral exploration concessions issued by the Mexican General Directorate of Mines ("GDM"), La Sibila, La Sibila I, La Sibila II and La Sibila III (the "Concessions"), totaling 20,655 hectares in area. The Company holds its interest in the Concessions through Plaminco. Under Mexican law, the Company may retain the mineral rights for 50 years from issue of the title.

The mineral exploration concessions were issued by the 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 | 9,173    | April 10, 2013     | April 9, 2063       |

A Technical Report prepared by David S. Dunn, an independent "Qualified Person" as defined under NI 43-101 was completed with respect to the Naranjillo Property on February 27, 2012 (the "Technical Report"). The Technical Report recommended that the Company carry out a phase three diamond core drilling program of approximately 10,000 metres as well as a supporting ground-magnetic geophysical survey. Portions of the information identified and contained in this document are based on assumptions, qualifications and procedures which are not fully described herein. Reference can be made to the full text of the Technical Report, which is available for review under the Company's profile on the Sedar website at [www.sedar.com](http://www.sedar.com).

Prior to the Company's involvement there have been no known exploration drill holes and the amount of sampling and geological mapping carried out under previous owners is unknown.

On February 8, 2017, the Company entered into an option agreement ("Agreement") with Fresnillo for the Naranjillo Property. The Agreement provides Fresnillo the right to explore and acquire Naranjillo over a three-year period. Refer to the section below under "*Quarter in Review*" for details.

### **Vaquerias Project**

The Vaquerias Project contains historical shallow silver mine, on a major structural target that was abandoned during the Mexican revolution with old workings exhibiting samples of up to 1,340 g /t silver<sup>1</sup>. The company intends to initiate a drilling program later in 2017 with the objective of exploring the possible lateral extension of the Ag-Au mineralization exploited in the historic mine.

Vaquerias consists of the Vaquerias license (the License") held by way of an interest through a purchase option agreement between Plaminco and David Espinosa and Pedro Fernandez (the "Vendors") dated June 30, 2011 and extended on June 15, 2014. The Vaquerias license covers 100 hectares and several old silver mines. The option agreement gives Plaminco the right to purchase the Licence, for US \$530,000 over six and half years until December 31, 2017, with the Vendors retaining a 2% net smelter return (the "Vaquerias Option"). In addition, the agreement provides Plaminco with the option to purchase the net smelter return for US \$500,000 within 18 months of exercising the Vaquerias Option. As at June 30, 2017, the Company has paid the Vendors US \$200,000 on the License with the final payment of US \$330,000 due on December 31, 2017.

In addition to the Vaquerias Option, the Company holds three titled adjacent concessions, known as Sol, Luna and Vaquerias (collectively with the Vaquerias Option, the "Vaquerias Property" or "Vaquerias"). 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 4,411 hectares and are valid for fifty years following issuance of title.

### **Other Mineral Exploration Interests**

In addition to Naranjillo and Vaquerias projects, the Company has the following exploration concessions:

(a) *La Joya Project*

The La Joya Project is located in the state of Hidalgo, Mexico, and is the same conceptual target as Naranjillo. The GDM issued title to the La Carmen license for the La Joya Project on December 21, 2010. The La Carmen concession covers 924 hectares, and is valid until December 20, 2060.

(b) *Palo Alto Project*

The Palo Alto Project is in the state of Aguas Calientes, Mexico and drill permitting is currently underway. Palo Alto consists of the Catalina, Catalina II, and Catalina III licenses. The Catalina, Catalina II and Catalina III licences were issued by the GDM to Plaminco on November 22, 2012, November 4, 2011, and November 30, 2011 respectively. Together, all three licenses cover 4,722 hectares and are valid for fifty years following issuance of title.

## **QUARTER IN REVIEW**

### **Option Agreement with Fresnillo on the Naranjillo Property**

On February 8, 2017, the Company entered into an option agreement ("Agreement") with Fresnillo PLC ("Fresnillo"). Under the Agreement, Fresnillo is granted the option to acquire the Naranjillo Property (the "Property") for a total cash payment of US \$2,150,000 over three years (of which US \$650,000 have been received). Of this amount, US \$1,650,000 is to be paid in instalments and at the end of the term, \$500,000

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<sup>1</sup> Samples from old workings are taken from 1983 Mexican Government Vaquerias Sampling and Report. These results have not been verified by Plata Latina or a Qualified Person.

is to be paid for the option to acquire the Property. In addition, Fresnillo is required to spend US \$3,000,000 in exploration on the Property. With the purchase of Naranjillo, Plata Latina retains a 3% net smelter return royalty interest on Naranjillo. Fresnillo will be required to pay advance royalty payments of US \$100,000 annually, until the earlier of (a) a maximum of US \$1 million in advance royalty payments having been paid, or (b) commercial production of minerals commences from the Property. The transaction received all necessary approvals including the TSX Venture Exchange on April 3, 2017.

## OUTLOOK

With the closing of the option agreement with Fresnillo on the Naranjillo property in April 2017, the Company will be receiving proceeds in a total of US \$1,650,000 over the next three years (As of the date of this MD&A, a total of US \$650,000 have been received). Plata intends to use the proceeds to conduct geologic field work to define high potential drill targets on its other two properties in the Mexican Silver Belt as well as initiating drilling to test these targets.

At the Vaquerias project, the Company is preparing a drilling program to be carried out later in 2017, which will explore for the extension of the historical mine under post-mineral cover, and plans to conduct field work to define targets for either vein- or disseminated-style Ag-Au mineralization under post-mineral cover to the south of the historical mine.

The Palo Alto project falls within a Protected Natural Area in the state of Aguas Calientes and requires the submission of an environmental impact assessment ("EIA") and Federal permission to drill. The Company is currently in the process of obtaining the necessary approvals to commence drilling. Assuming permits are received later in 2017 and subject to financing, the Company intends to carry out an initial drill program focused on exploring potential structures that have been identified through mapping and surface sampling.

The Company continues prospecting and placing exploration licenses on any promising ground of interest. Negotiations for prospective ground will proceed as opportunities arise.

## SUMMARY OF QUARTERLY RESULTS

The following table summarizes the Company's results for the most recently completed eight quarters.

|                                   | 2017         |             | 2016           |              |              |              | 2015         |              |
|-----------------------------------|--------------|-------------|----------------|--------------|--------------|--------------|--------------|--------------|
|                                   | Q2           | Q1          | Q4             | Q3           | Q2           | Q1           | Q4           | Q3           |
| Revenue                           | \$ -         | \$ -        | \$ -           | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| Net loss                          | \$ (161,842) | \$ (85,270) | \$ (2,694,869) | \$ (12,408)  | \$ (139,825) | \$ (151,563) | \$ (235,130) | \$ (142,035) |
| Total comprehensive (loss) income | \$ (122,756) | \$ 104,571  | \$ (2,811,959) | \$ (242,605) | \$ (607,486) | \$ (554,535) | \$ 168,532   | \$ (477,424) |
| Basic and diluted loss per share  | \$ (0.002)   | \$ (0.001)  | \$ (0.04)      | \$ (0.00)    | \$ (0.002)   | \$ (0.002)   | \$ (0.01)    | \$ (0.01)    |

Factors that can cause fluctuations in the Company's quarterly results include: timing of stock option grants, exploration costs expensed, corporate activity to support the exploration programs and foreign exchange gains or losses related to the Company's holding of US dollars denominated working capital items. Since Plata does not yet have any mining assets in production, the Company believes that its losses and loss per share is not a primary concern to investors in the Company.

## RESULTS OF OPERATIONS

The following financial information is derived from the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2017 and 2016.

### ***Three and six months ended June 30, 2017 compared to the three and six months ended June 30, 2017***

The Company incurred net loss before tax of \$153,444 and \$247,153 for the three and six months ended June 30, 2017 respectively as compared to \$139,825 and \$291,388 for the same periods in 2016. The

lower loss for the first six months in 2017 was mainly due to the lower compensation to the management. Details of the variances are described below.

Salaries and benefits for the three and six months ended June 30, 2017, were \$18,181 (2016 - \$73,016) and \$21,831 (2016 - \$146,870,) respectively. The higher salaries and benefits in 2016 were due to higher remuneration to the CEO and the accrued salaries of the former CFO.

Professional fees for the three and six months ended June 30, 2017, were \$67,308 (2016 - \$40,468) and \$127,491 (2016 - \$88,166), respectively. The higher 2017 professional fees were results of fees to the CFO on contract basis and additional billings from an accounting personnel relating to the 2016 year-end audit.

Investor relations expenses for the three and six months ended June 30, 2017, were \$6,001 (2016 - \$nil) and \$6,252 (2016 - \$nil), respectively. The costs were related to the annual general meeting held in the second quarter of 2017 whereas no annual general meeting was held in 2016.

Filing and regulatory services for the three and six months ended June 30, 2017, were \$3,954 (2016 - \$3,266) and \$11,936 (2016 - \$5,427), respectively. The higher expenses in 2017 were the results of: (i) filing fee for the Fresnillo transaction and (ii) filing fees of the annual financial statements being recorded in the second quarter of 2017 whereas in 2016, it was recorded in the third quarter.

Project investigation costs for the three and six months ended June 30, 2017, were \$9,736 (2016 - \$565) and \$12,592 (2016 - \$3,527), respectively. In 2017, costs were incurred to search for new project opportunities.

#### *Other Comprehensive Income (Loss)*

Other comprehensive income (loss) with respect to foreign currency translation difference varies at each reporting date given the fluctuations between the Canadian Dollar and the Mexican Peso and United States Dollar. This foreign currency translation difference includes the impact of foreign exchange on intercompany loans whose retranslation is treated as equity (until the foreign operation is disposed of) and the translation of the foreign operation from its functional currency into Canadian Dollars. For the three and six months ended June 30, 2017, the impact of the foreign currency translation differences was comprehensive income of \$39,086 (2016 - comprehensive loss of \$467,661) and \$228,927 (2016 - comprehensive loss of \$870,633), respectively.

#### **EXPLORATION AND EVALUATION ASSETS**

At June 30, 2017, the carrying value of exploration and evaluation assets was \$3,499,903 (December 31, 2016 - \$3,417,067). The increased value of \$82,836 in the 2017 exploration and evaluation assets was primarily due to the foreign exchange gain of \$232,953 resulting from the rising Canadian dollar in 2017 offsetting partially by a cost recovery from an option payment of \$268,992 (US \$200,000) from Fresnillo on the Naranjillo property. Expenditures spent on the exploration and evaluation assets were \$118,875.

There was no exploration drilling program carried out in 2017. The expenditures were related to the ongoing field program of exploration for new opportunities, and the payments of land taxes and land option payments to keep the concessions in good standing.

Foreign exchange movements represent the non-cash impact of the retranslation of Plaminco's exploration and evaluation expenditures, denominated in Mexican pesos. The exchange variations resulting from the retranslation at closing rate are recognized in other comprehensive income as part of the foreign currency translation reserve.

## **LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2017, the Company had cash of \$247,600 (December 31, 2016 – \$166,718) and negative working capital of \$454,884 (December 31, 2016 – negative working capital of \$373,778).

Amounts receivable at June 30, 2017 was \$31,664 (December 31, 2016 - \$241,426) of which over 92 percent was made up of Mexican value added tax recoverable ("IVA") from the Government of Mexico. During the six months ended June 30, 2017, Plata received IVA refunds of \$183,923 and anticipates full recovery of the amounts by the end of the fiscal year.

### *Cash Flows*

Under operating activities, for the three and six months ended June 30, 2017, cash used was \$98,797 and \$4,748, respectively, whereas for the comparative periods in 2016, cash provided was \$127,853 and \$187,917. The cash provided in 2016 was primarily from the refunds of the IVA receivable.

In the investing activities, the Company used cash of \$94,677 in the three months ended June 30, 2017 (2016 - \$167,214) and \$211,874 for the six months ended June 30, 2017(2016 - \$219,953) on exploration and evaluation expenditures. These expenditures for both 2017 and 2016 were mainly payments for land taxes, property options and on-going analysis and interpretation on Naranjillo. The Company also received on the Naranjillo property an option payment of \$268,992 (US \$200,000) as cost recovery for the exploration and evaluation expenditures.

## **GOING CONCERN**

The Company has not generated revenue from operations. It has incurred ongoing losses and will continue to incur further losses in the course of developing its business. At June 30, 2017, the Company had cash of \$247,600, negative working capital of \$454,884, and a deficit of \$8,979,684. On February 8, 2017, the Company executed an option agreement with Fresnillo. Under the agreement, the Company will receive a total cash payment of US \$1,650,000 (US \$650,000 have been received). Over the next three years, Fresnillo will make remaining four instalments of US \$250,000. However, notwithstanding Fresnillo's option payments for the coming year, the Company will not have sufficient working capital to fund its operations for the next twelve months. This indicates the existence of a material uncertainty about the Company's ability to continue as a going concern. The Company recognizes that it will require to raise additional funding through equity financing and/or debt financing. 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.

## **COMMITMENT**

At June 30, 2017, the Company had a commitment relating to the final option payment of US \$330,000 on the Vaquerias project due on December 31, 2017.

## **OUTSTANDING SHARE DATA**

As at August 14, 2017, the Company's issued and outstanding common shares were 67,432,826; stock options outstanding were 550,000 with a weighted average exercise price at \$0.06 per share with expiry dates between 2020 and 2022.

## **PROPOSED TRANSACTIONS**

There are no undisclosed proposed transactions that will materially affect the Company.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company did not have off balance sheet arrangements as at the report date of this MD&A.

## CORPORATE MANAGEMENT CHANGE

On June 2, 2017, Purni Parikh has stepped down as the VP Corporate Secretary of the Company. Patricia Fong, the Company's current CFO, was appointed to take on the role of Corporate Secretary.

## RELATED PARTY TRANSACTIONS

### *Compensation of key management personnel*

Key management includes the Company's directors and officers. Their remuneration paid or payable for the three and six months ended June 30, 2017 and 2016 was as follows:

|   | Three months ended June 30, |                  | Six months ended June 30, |                   |
|---|-----------------------------|------------------|---------------------------|-------------------|
|   | 2017                        | 2016             | 2017                      | 2016              |
| Salaries  | \$ 18,181                   | \$ 73,016        | \$ 21,831                 | \$ 146,870        |
| Salaries capitalized to exploration and evaluation assets | 3,577                       | -                | 21,830                    | -                 |
| Directors' fees   | 15,000                      | 11,250           | 30,000                    | 22,500            |
| Professional fees   | 16,000                      | -                | 28,000                    | -                 |
| Share-based payments                                      | 1,664                       | -                | 1,664                     | -                 |
| Total   | <u>\$ 54,422</u>            | <u>\$ 84,266</u> | <u>\$ 103,325</u>         | <u>\$ 169,370</u> |

As at June 30, 2017, included in accounts payable and accrued liabilities were \$279,872 (June 30, 2016 - \$225,774) due to directors and a former officer. Amounts due to related parties are non-interest bearing and have no fixed terms of repayment.

In May 2015, a director of the Company provided a \$250,000 loan to the Company bearing interest at 10% per annum. For the six months ended June 30, 2017, interest payable on the loan was \$54,653 (December 31, 2016 - \$42,083).

## CRITICAL ACCOUNTING ESTIMATES

The preparation of the 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.

### *a) 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. The recoverable amount of Naranjillo is dependent on the probability weighting assigned to the various option payments and discount rates used for the cash flow.



b) *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, judgements, 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.

c) *IVA recoverable*

The IVA recoverable is based on IVA incurred and is stated at carrying value less provision for impairment, if any amounts are not considered receivable. The Company adheres to the requirements of the Mexican tax authority for recording, reporting and applying for IVA refunds and in its judgment the amounts recorded are all recoverable and will be honored by the Mexican tax authority. The Mexican tax authority may delay or reject refund applications at its discretion which may impact the timing of receipt or recoverability of the funds.

## RECENT ACCOUNTING PRONOUNCEMENTS

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* addresses classification, measurement and recognition of financial assets and financial liabilities. In July 2014, IASB completed the final version of the Standard which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a reformed approach to hedge accounting. The effective date for this standard is for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has not assessed the impact of this standard on its financial reporting.

IFRS 2 – *Share-based Payment* has been revised to address the accounting for cash-settled, share-based payments and equity-settled awards that include a 'net settlement' feature in respect of withholding taxes. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IAS 7, *Statement of Cash Flows* has been amended requiring entities to provide disclosures facilitating users of financial statements to evaluate changes in liabilities resulting from financial activities. The amendment is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company has not yet assessed the impact of this amendment on its financial reporting.

IAS 12, *Income Taxes* was amended in January 2016. The amendment clarifies the accounting for deferred tax assets related to debt instruments measured at fair value. The amendment is effective for annual periods beginning on or after January 1, 2017. The Company has not yet assessed the impact of this standard on its financial reporting.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Financial Instrument

The carrying values of amounts receivable, accounts payable and accrued liabilities, and loan payable approximate their fair values due to the short-term to maturity of these financial instruments.

The financial instruments are classified into the following categories of financial assets and liabilities and shown at carrying values which approximate fair values:

| Category                                 | Measurement                 |    | June 30,<br>2017 |    | December 31,<br>2016 |
|--|-----------------------------|----|------------------|----|----------------------|
| Cash                                     | Loans and receivables       | \$ | 247,600          | \$ | 166,718              |
| Accounts receivable                      | Loans and receivables       | \$ | 31,664           | \$ | 241,426              |
| Accounts payable and accrued liabilities | Other financial liabilities | \$ | (432,526)        | \$ | (497,236)            |
| Loan payable                             | Other financial liabilities | \$ | (304,653)        | \$ | (292,083)            |

### 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, commodity price 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's operations are in Canada, United States and Mexico. The functional and reporting currency of the parent company is Canadian dollars. Exploration activities in Mexico are denominated in Mexican pesos and US dollars. Consequently, the Company's assets and expenditures are subject to currency translation risk. The fluctuation of the Canadian dollar against the US dollars and Mexican pesos will have an impact upon the profitability as well as the value of the Company's assets and liabilities. The Company does not hedge its exposure to currency fluctuations.

#### *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 reserves.

#### *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 financial institutions, as well as credit exposure on amounts receivable and long-term recoverable tax. Credit risk exposure on cash is limited through maintaining the Company's balances with high-credit quality financial institutions and assessing institutional exposure. IVA recoverable 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 June 30, 2017 was the carrying values of its cash, amounts receivable and IVA recoverable.

## **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. 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. No changes were made in the objectives, policies or procedures during the period ended June 30, 2017.

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.

## **RISKS AND UNCERTAINTIES**

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described in the Company's Management's Discussion and Analysis for the six months ended June 30, 2017, and the other information filed with the Canadian securities regulators before investing in the Company's common shares. Plata's business is subject to a number of risks and uncertainties including those described in the Company's Management's Discussion and Analysis for the six months ended June 30, 2017, which is available on the Company's website at [www.plminerals.com](http://www.plminerals.com) and SEDAR at [www.sedar.com](http://www.sedar.com). Any of the risks and uncertainties described in the above-noted document could have a material adverse effect on the Company's business and financial condition and accordingly, should be carefully considered in evaluating the Company's business.

## **REVIEW BY QUALIFIED PERSON, QUALITY CONTROL AND REPORTS**

The technical information contained in this document has been reviewed, approved and verified by Michael Clarke, a Qualified Person as defined under NI 43-101. Mr. Clarke is the President and CEO of Plata and has been a geologist for more than 40 years, which includes work on numerous epithermal gold and silver vein deposits.

## **QUALITY ASSURANCE AND QUALITY CONTROL**

Commercially obtained standards were inserted between every tenth core sample as were blanks obtained from barren rock in nearby road material quarries. Chemex laboratory also inserted a blank and a standard every 20 samples. Rejects and pulps from the high-grade intersection in hole BDD-N-10 were both re-assayed at Act Labs and the average of these two assays and the original Chemex assay are included in the results as previously reported.

Chemex has no relationship with Plata beyond commercially providing analytical services to the Company. The Chemex North Vancouver, Canada, analytical facility is certified to standards within ISO 9001:2008 and has received accreditation to ISO/IEC 17025:2005 from the Standards Council of Canada (SCC) for the analytical methods used on Plata samples. Both the Chemex Guadalajara and Zacatecas, Mexico, prep labs are certified to standards within ISO 9001:2008.

**PLATA LATINA MINERALS CORPORATION**

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