LARA EXPLORATION LTD.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Three Months Ended March 31, 2016 AND 2015
(Expressed in Canadian dollars)

NOTICE TO READER

The accompanying condensed consolidated interim financial statements of Lara Exploration Ltd. for the three months ended March 31, 2016 and 2015 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

	March 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	$ 1,180,106	$ 1,017,726
Receivables (Note 4)	8,679	6,624
Prepaids and deposits	26,342	47,360
Total current assets	1,215,127	1,071,710
Non-current assets		
Restricted cash equivalents (Note 5)	46,000	46,000
Equipment (Note 6)	19,756	23,183
Exploration and evaluation assets (Note 7)	172,836	185,236
Investment in associated companies and joint ventures (Note 9)	407,355	408,051
Long-term investments (Note 10)	150,624	192,685
Total non-current assets	796,571	855,155
TOTAL ASSETS	$ 2,011,698	$ 1,926,865
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 238,772	$ 280,054
TOTAL LIABILITIES	238,772	280,054
EQUITY		
Share capital (Note 11)	20,982,544	20,980,656
Commitment to issue shares	76,691	63,533
Share-based payments reserve	8,338,932	8,339,445
Accumulated other comprehensive income (Note 10)	95,220	137,281
Deficit	(27,720,461)	(27,874,104)
TOTAL EQUITY	1,772,926	1,646,811
TOTAL LIABILITIES AND EQUITY	$ 2,011,698	$ 1,926,865

Nature of operations and ability to continue as a going concern (Note 1)

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on May 25, 2016

Approved by the Board of Directors

"Miles Thompson" , Director *"Christopher Jones"* , Director

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

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Three Months Ended March 31, 2016	2015
EXPLORATION EXPENDITURES (Note 8)	$ 277,088	$ 298,894
GENERAL AND ADMINISTRATIVE EXPENSES		
Depreciation (Note 6)	178	281
Management and directors' fees (Note 13)	30,000	44,473
Office, rent and administrative services	83,589	84,500
Professional fees	12,769	26,465
Shareholder communication and investor relations	15,847	5,077
Share-based payments (Note 11 and 13)	13,158	28,630
Transfer agent and regulatory fees	31,882	23,636
Travel	920	17,861
Total general and administrative expenses	188,343	230,923
	(465,431)	(529,817)
Equity loss on investment in associated companies and joint ventures (Note 9)	(25,831)	(4,594)
Foreign exchange gain (loss)	(19,379)	58,903
Interest income	1,011	11,212
Option revenue received (Note 8)	693,975	-
Other income	4,699	-
Gain (Loss) on sale of long-term AFS investment	-	6,144
Write-off of exploration and evaluation assets (Note 7)	(35,401)	-
	619,074	71,665
Net income (loss) for the period	$ 153,643	(458,152)
OTHER COMPREHENSIVE INCOME (LOSS)		
Change in fair value of AFS financial instruments	$ (42,061)	175,756
Transfer of loss on disposal of AFS investments	-	(6,144)
Comprehensive income (loss) for the period	$ 111,582	(288,540)
Loss per common share		
Earnings (loss) loss per common share – basic	$ 0.01	$ (0.01)
Earnings (loss) loss per common share – basic	$ 0.00	$ (0.01)
Weighted average number of common shares outstanding - basic	31,287,640	30,969,691
Weighted average number of common shares outstanding - diluted	31,594,923	30,969,691

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

LARA EXPLORATION LTD.
(An Exploration Stage Company)
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)

	Three Months Ended March 31,	
	2016	2015
OPERATING ACTIVITIES		
Net income (loss) for the period	$ 153,643	$ (458,152)
Items not affecting cash:		
Depreciation	178	281
Depreciation included in exploration expenditures	3,249	1,868
Equity loss on investment in associated companies and joint ventures	25,831	4,594
Loss on sale of long-term investments	-	(6,144)
Impairment loss on loan receivable	-	28,630
Loss on dilution of a subsidiary	-	(30,480)
Write-off of exploration and evaluation assets	35,401	-
Share-based payments	13,158	-
Changes in non-cash working capital items:		
Receivables	(2,055)	(8,839)
Prepaids and deposits	21,018	(735)
Accounts payable and accrued liabilities	(41,282)	131,855
	209,141	(337,122)
INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	(23,001)	-
Investment in associated companies and joint ventures	(25,135)	(3,047)
Purchase of equipment	-	(1,644)
Proceeds on disposal of equipment	-	24,167
	(48,136)	19,476
FINANCING ACTIVITIES		
Exercise of options	1,375	-
	1,375	-
Change in cash and cash equivalents	162,380	(317,646)
Cash and cash equivalents, beginning of year	1,017,726	954,509
Cash and cash equivalents, end of year	$ 1,180,106	$ 636,863
Supplementary cash flow information		
Interest received	$ 1,011	350

Supplemental disclosure with respect to cash flows (Note 14)

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

LARA EXPLORATION LTD.
(An Exploration Stage Company)
Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian dollars)

	Number of shares	Share capital	Commitment to issue shares	Share-based payments reserve	Accumulated other comprehensive income (loss)	Deficit	**Total**
Balance as at December 31, 2015	31,286,357	$ 20,980,656	$ 63,533	$ 8,339,445	$ 137,281	$ (27,874,104)	$ 1,646,811
Exercise of stock options	5,500	1,375	-	-	-	-	1,375
Reclassification of share-based payment reserve on exercise of options	-	513	-	(513)	-	-	-
Share-based payments	-	-	13,158	-	-	-	13,158
Change in fair value of AFS investments	-	-	-	-	(42,061)	-	(42,061)
Net loss for the period	-	-	-	-	-	153,643	153,643
Balance as at March 31, 2016	31,291,857	$ 20,982,544	$ 76,691	$ 8,338,932	$ 95,220	$ (27,720,461)	$ 1,772,926

	Number of shares	Share capital	Commitment to issue shares	Share-based payments reserve	Accumulated other comprehensive income (loss)	Deficit	**Total**
Balance as at December 31, 2014	30,969,691	$ 20,863,240	$ 39,503	$ 8,202,304	$ 12,189	$ (25,728,832)	$ 3,388,404
Share-based payments	-	-	28,630	-	-	-	28,630
Change in fair value of AFS investments	-	-	-	-	175,756	-	175,756
Transfer of gain on sale of AFS investments	-	-	-	-	(6,144)	-	(6,144)
Net loss for the period	-	-	-	-	-	(458,152)	(458,152)
Balance as at March 31, 2015	30,969,691	$ 20,863,240	$ 68,133	$ 8,202,304	$ 181,801	$ (26,186,984)	$ 3,128,494

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

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Lara Exploration Ltd. (the "Company" or "Lara") was incorporated under the British Columbia Business Corporations Act on March 31, 2003. The Company's principal business activities are the acquisition, exploration and development of mineral properties in South America, currently with exploration and evaluation properties in Brazil, Peru, Colombia and Chile. These condensed consolidated interim financial statements of the Company as at and for the three months ended March 31, 2016 and 2015 are comprised of the Company and its subsidiaries. The Company's common shares are listed on the TSX Venture Exchange under the symbol of "LRA".

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether they contain reserves that are economically recoverable. 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 the necessary financing to complete their exploration and development, confirmation of the Company's interest in the underlying claims and leases, ability to obtain the necessary permits to mine and future profitable production or proceeds from the disposition of these assets.

These condensed consolidated interim financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from the carrying values shown and these condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. The Company's continuing operations and the ability of the Company to meet mineral property and other commitments are dependent upon the ability of the Company to continue to raise additional equity or debt financing and to seek joint venture partners. At the date of these condensed consolidated interim financial statements, the Company has not identified a known body of commercial grade mineral on any of its properties. At March 31, 2016, the Company has not achieved profitable operations and has accumulated losses since inception. Management expects that the Company may need to raise additional capital resources to fund its exploration programs and administrative expenses for the next twelve months.

2. BASIS OF PRESENTATION

Basis of Measurement and Presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited financial statements for the year ended December 31, 2015, except that they do not include all the information required for the annual audited financial statements. These financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2015.

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as available-for-sale ("AFS") and fair value through profit or loss ("FVTPL"), which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. The preparation of these condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of the policies and reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Basis of Consolidation

These condensed consolidated interim financial statements comprise the accounts of the parent company, and its subsidiaries, after the elimination of all material intercompany balances and transactions.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and deposits at bank earning interest at both fixed and floating rates based on daily bank deposit rates:

	March 31, 2016	December 31, 2015
Cash	$ 1,179,817	$ 1,017,437
Short-term bank deposits	289	289
Cash and cash equivalents	$ 1,180,106	$ 1,017,726

4. RECEIVABLES

The Company's receivables arise from goods and services tax ("GST") receivable from government taxation authorities, and recovery of exploration expenditures from joint venture partners.

	March 31, 2016	December 31, 2015
Accounts receivable	$ 2,485	$ 1,125
GST receivable	6,194	5,499
Receivables	$ 8,679	$ 6,624

5. RESTRICTED CASH EQUIVALENTS

At March 31, 2016 and December 31, 2015, the Company classified $46,000 as restrcited cash equivalents. This amount is held as collateral for the Company's corporate credit cards.

(Expressed in Canadian dollars)

6. EQUIPMENT

	Computer equipment	Field equipment	Office equipment	Total
Costs				
December 31, 2015	$ 41,625	$ 3,015	$ 92,427	$ 137,067
Additions	-	-	-	-
March 31, 2016	41,625	3,015	92,427	137,067
Accumulated depreciation				
December 31, 2015	35,952	620	77,312	113,884
Additions	489	75	2,863	3,427
March 31, 2016	36,441	695	80,175	117,311
Net book value				
December 31, 2015	$ 5,673	$ 2,395	$ 15,115	$ 23,183
March 31, 2016	$ 5,184	$ 2,320	$ 12,252	$ 19,756

Of the $3,427 (2015 -$2,149) of depreciation expense recognized during the three months ended March 31, 2016, $3,249 (2015 - $1,868) was included as exploration expenditures and $178 (2015 - $281) was recorded as depreciation on the statements of comprehensive loss.

7. EXPLORATION AND EVALUATION ASSETS

	December 31, 2015	Acquisitions	Impairments	March 31, 2016
Brazil				
Planalto Copper	$ 25,777	$ -	$ -	$ 25,777
Azul	11,447	10,191	-	21,638
Serrita	-	12,810	-	12,810
Peru				
Corina	112,611	-	-	112,611
Paraguay				
Sarambi	35,401	-	(35,401)	-
Total	$ 185,236	$23,001	$ (35,401)	$ 172,836

Brazil

Curionóplis Copper-Gold Project

In October 2013 the Company signed an option agreement with Tessarema Resources Inc. ("Tessarema") whereby Tessarema can earn a 100% interest in the Curionópolis Copper Project. Under the terms of the agreement, Tessarema has earned a notional 49% interest by: making staged cash payments to Lara totalling US$750,000, completing 2,000 metres of drilling and delivering a National Instrument ("NI") 43-101 report confirming a mineral resource which could be economically mined of at least 100,000 tonnes of contained copper and copper equivalent by-products, all by December 31, 2015. In February 2016, Tessarema earned a further 11% interest (for a total notional interest of 60%) by paying Lara US$500,000 within one year, completing permitting for pilot mining and granting Lara a royalty of 5% on any pilot scale production. Tessarema can earn an additional 40% interest in the project (for a total of 100%) by paying Lara US$750,000,

7. EXPLORATION AND EVALUATION ASSETS (continued)

and placing the project into commercial production at a minimum rate of 500 tonnes per day. If that milestone is achieved, the 5% pilot royalty would terminate and Lara would be granted a 2% production royalty. Under the terms of the agreement, Tessarema must earn a 100% interest in the project or the property will be returned to Lara.

Curionopolis Iron Project

The Company has an agreement whereby Vertical Mineração Ltda. ("Vertical"), a special purpose company owned by a group of Brazilian pig iron producers, has acquired the iron ore targets within the Curionopolis licenses for cash payments, exploration work commitments and royalties. Vertical has completed exploration and development studies on the iron deposits in the property and is currently in the process of completing environmental permitting to secure a mining license. Lara is entitled to royalties of US$1.50/ton on sales of granular iron ore and US$0.75/ton on sales of fine-grained iron ore produced from the project.

During the year ended December 31, 2015, the Company filed for arbitration with the Forum Arbitral do Rio de Janeiro ("FARJ"), over its Mineral Rights Transfer Agreement ("the Agreement") with Vertical. Among the terms of the agreement, signed in May 2009, whereby Lara transferred its rights to the Curionópolis Iron Project to Vertical, were obligations for Vertical to make purchase payments and pay minimum royalties to the Company. Despite several renegotiations extending payment terms and repeated notifications Vertical has not made these payments. Lara has requested that the Arbitrators rule on the unpaid amounts, plus interest and fines, as defined by the Agreement. Eventually if Vertical is unable or unwilling to pay, the Company is requesting return of the property.

Itaituba Iron Project

In 2011, the Company entered into an option agreement to acquire the Itaituba Iron Project by paying 100,000 reals (approximately $55,000); 50,000 reals were paid upon signing the agreement and another 50,000 reals were due upon the transfer of the title of one license area. In March 2013, the transfer of the title to the license area was completed and Lara made the second payment of 50,000 reals. The Company must make a third purchase payment of US$0.30 per ton of measured reserves of iron ore and a royalty payment of US$0.45 per ton of economically mineable reserves as determined by a NI 43-101 compliant report. At December 31, 2015, the Company wrote down its investment in the property to nil.

Planalto Copper Project

In February 2013, the Company entered into an option agreement to acquire a 100% interest in the Planalto Copper Project by paying US$450,000 (US$25,000 paid to date) in cash and a 2% net smelter return ("NSR") royalty. Lara has the right to acquire 50% of the NSR for US$2,000,000. The Planalto mineral rights are currently subject of an administrative dispute with the Brazilian Department of Mines and the payments to the vendor have been suspended until the matter is resolved.

Liberdade Copper Project

In September 2010 the Company signed an agreement with a local subsidiary of a Chilean copper company, Codelco do Brasil Mineracao Ltda. ("Codelco") to earn an initial 51% interest in the property by investing US$3,300,000 in exploration which has been completed. Codelco at its election, can then earn a further 24% interest by sole-funding such additional exploration work as is necessary to define a minimum resource of at

7. EXPLORATION AND EVALUATION ASSETS (continued)

least 500,000 tonnes of copper equivalent, independently reported under NI 43-101 guidelines. Work on the project is currently suspended, pending the renewal of the exploration license by the Brazilian Department of Mines. The Brazilian Department of Mines (“DNPM”) has delayed analysis of the renewal, as Vale S.A. (“Vale”) has claimed to have a license dating back to 1986 that is still valid. Codelco has filed a lawsuit with the Federal Courts in Brasilia, against both the DNPM and Vale to nullify Vale’s old license and safeguard its rights under the Liberdade exploration license.

Caninde Graphite Project

On October 27, 2014 Lara signed an option agreement with Paradigm Metals Limited (“Paradigm”) to earn up to an 80% interest in the Company’s Canindé Graphite Project in northeastern Brazil by making staged payments totalling US$700,000 to Lara (US$100,000 paid), funding a minimum US$4,500,000 of exploration and development work and putting the project into commercial production. Paradigm terminated the option in October 2015 and returned the property to Lara.

Azul Tin Project

In October 2015 the Company entered into an option agreement with Best Metais e Soldas S.A. (“Best”) to acquire the Azul Tin Project, located in Tocantins State, central Brazil. The Company paid US$7,500 on signing the agreement and a second payment of US$7,500 was made in January 2016. In order to complete the acquisition, Lara must make the following payments to Best: US$40,000 by December 31, 2016; US$200,000 by December 31, 2017 and US$500,000 by December 31, 2018.

Tocantins Gold Project

In January 2016 the Company entered into an agreement with Brazil Americas Investments & Participation Mineração Ltda. (“Brazil Americas”), to acquire the Tocantins Gold Project, located close to the town of Conceição do Tocantins, in Central Brazil. Under the terms of the Agreement, Lara will assume the project costs going forward and will pay Brazil Americas 50% of any proceeds from the eventual sale of the project to a third-party.

Damolândia Nickel Project

In February 2016 the Company entered into an agreement with BCV Consultoria e Projetos Ltda. (“BCV”), to acquire the Damolândia Nickel Project in central Brazil. Lara has agreed to make staged cash payments totalling US$580,000. BCV will also be entitled to a 1% net smelter return royalty on any production from the project, but Lara retains the right to purchase this royalty for a cash payment of US$2 million.

Serrita Gold Project

The Serrita Project comprises three exploration licenses, totalling 5,998 hectares, covering a wide area of artisanal workings. Lara has an option to acquire the Serrita Project by making staged cash and success-based bonus payments totalling up to US$1.65 million and paying a 1.25% NSR royalty on any production. Lara retains the right to purchase this royalty for a cash payment of US$1.5 million. The Company has also agreed to pay finder’s fee of staged (mostly success-based) payments totalling US$100,000.

7. EXPLORATION AND EVALUATION ASSETS (continued)

Peru

Corina Gold Project

In June 2014 the Company signed a binding Letter of Intent with Compañía Minera Ares S.A.C. ("Ares"), a subsidiary of London-listed Hochschild Mining plc. that operates mines nearby, granting an option to purchase its Corina Gold Project in southern Peru. Under the proposed terms, Ares can acquire the Corina property from Lara for staged cash payments totalling US$4,150,000, carrying out US$2,000,000 in exploration and paying a 2% NSR royalty on any future production. Lara and Ares signed a definitive agreement in July 2014 and Ares made the first cash payment of US$150,000. Ares has up to 36 months to obtain a community access agreement, which would allow them to begin exploration. On obtaining this agreement Ares is required to pay the Company US$150,000 and the 36 month option agreement will begin.

Grace Gold Project

In November 2013, Lara signed an option agreement with S.A.C., ("Apumayo") a subsidiary of Peruvian gold miner Aruntani S.A.C., to acquire 100% of the Company's Grace Gold Project in southern Peru for a total of

US$2,000,000 (US$75,000 received to date) within 36 months of receiving approval by Dirección General de Minería for the start of exploration activities. Lara will also be entitled to an NSR royalty of between 0.75% and 1% on gold and gold equivalent production in excess of 200,000 troy ounces. Apumayo further committed to minimum exploration expenditures on the property of US$500,000 and the completion of a minimum of 3,000 metres of drilling. The timing of the payments to Lara and the work commitments are subject to securing community agreements and drilling permits from the Peruvian government. The option agreement with Apumayo has expired, but an extension has been agreed and will likely be signed in May 2016.

Picha Copper Project

During the quarter ended September 30, 2015, the Company signed a Letter of Intent ("LOI") granting the Kiwanda Group a six-month exclusive option to acquire the Project in exchange for assuming mineral rights and community obligations that fall due during 2015. In the event that Kiwanda elects to complete its option, the Project will be transferred to a new company controlled by Kiwanda, which will grant Lara an NSR royalty of 2% on any precious metals and 1% on any base metals or other minerals produced from the Project. Kiwanda will also pay or transfer to Lara 30% of the proceeds upon a sale or transfer of the Project to a third-party. In May 2016, Lara granted a six month extension to allow Kiwanda to enter into a Letter of Intent with the Carajas Copper Company Limited ("Carajas").

Under the terms of the LOI, Carajas has a six week exclusive option to purchase the Picha Project by committing to pay Australian ("A$") $60,000 within 30 days of signing. During the exclusivity period, the Parties agree to negotiate, in good faith, a definitive agreement, whereby Kiwanda will transfer the ownership of Kiwanda Peru SAC and the Picha Project to Carajas, for a consideration of A$400,000, payable by way of issuance of new ordinary shares of CJC priced at A$0.003 per share. Each share will include an option exercisable at A$0.004 per share for a period of 2 years. Lara will receive 30% of the proceeds from this sale and will remain entitled to a net smelter returns royalty on future production of 2% for precious metals and 1% for base metals.

7. EXPLORATION AND EVALUATION ASSETS (continued)

Minas Dixon - Lara and Tingo Este Copper Projects

Lara has a 45% interest in the Lara Copper Project. Lara retains a 1% NSR royalty on all production from the projects. The Company acquired Tingo Este from Tinka Resources Ltd. ("Tinka") and there is an obligation to pay Tinka a 1% NSR royalty on any production from the property.

Sarambi, Paraguay

At December 31, 2015 the Company had capitalized $35,401 of acquisition costs. During the three months ended March 31, 2016, the Company decided not to pursue the acquisition of this property and wrote off the full amount of the capitalized cost.

Strategic Alliances

Kiwanda Phosphate Alliance

In December 2011, Lara completed a definitive agreement with the Kiwanda Group LLC ("Kiwanda LLC") to generate, acquire and develop phosphate projects in the Andean Region of South America. Under the terms of the agreement, Kiwanda LLC was supposed to fund a US$1,500,000 generative exploration program over three years, with US$500,000 committed in year one. Once a minimum of US$150,000 has been spent on the evaluation, exploration or acquisition of a specific project, Kiwanda LLC would either nominate it as a "Designated Project" or return it to Lara. Each Designated Project will be transferred into an operating company owned equally by Lara and Kiwanda LLC, Kiwanda Alliance (BVI) Inc. (Note 9). Kiwanda LLC agreed to invest US$5,000,000 over a four-year period (US$1,000,000 is a firm commitment) in exploration and development of the Designated Project to raise its interest to 65%. Kiwanda could then further raise its interest to a total of 75% by delivering a feasibility study as defined by NI 43-101 within a further two years, subject to spending a minimum of US$2,000,000 per year. Kiwanda LLC is in default on its funding obligation for the Phosphate Alliance. Lara has provided an extension to allow them more time to raise funds for the generative exploration program.

Kiwanda Coal Alliance

In July 2012, Lara completed a definitive agreement with the Kiwanda Mining Partners LP ("Kiwanda LP") to generate, acquire and develop coal projects in Peru and Colombia through an operating company owned equally by Lara and Kiwanda LP, Andean Coal (BVI) Ltd. (Note 9). Under the terms of the agreement, Kiwanda LP was supposed to fund a US$1,800,000 generative exploration program over three years with US$600,000 committed in year one. Kiwanda LP is in default on its funding obligation for the Coal Alliance. Lara has provided an extension to Kiwanda LP to allow them more time to raise funds for the generative exploration program.

On October 14, 2014 the Company signed a Definitive Agreement with partner Kiwanda Mines LLC ("Kiwanda") to sell the rights and options held under their Phosphate Alliance and Coal Alliance, to Australian Securities Exchange listed Phillips River Mining Limited ("Phillips River"). Lara has agreed to sell all of its direct project rights under both Alliances to Phillips River in exchange for 50% of the vend-in shares to be issued by Phillips River and a 2% production royalty. Under the terms of the agreement, Phillips River will now acquire all of the Phosphate Alliance and Coal Alliance assets and options as follows:

7. EXPLORATION AND EVALUATION ASSETS (continued)

a) Lara's 19.9% interest in central Colombian coal producer Carbhid S.A.
b) The Coal Alliance's option to earn a 51% interest in Carbhid's Escalones mining rights.
c) The Coal Alliance's option to earn a 100% interest in the Pelaya coal exploration rights in northern Colombia.
d) The Phosphate Alliance's option to acquire a 100% interest in the Bifox phosphate mining rights in northern Chile.
e) The Phosphate Alliance's 100% owned Ki phosphate exploration rights adjacent to the Bifox mining rights.

Lara has received US$200,000 from Kiwanda LP that was due upon signing of the Heads of Agreement and is entitled to a further US$570,000 upon the earliest of either the completion of the acquisition of the assets by Phillips River or May 30, 2015. Phillips River will acquire the assets through the issue of new shares at a deemed price of Australian $0.20 each, based on an independent valuation. After payment of the amounts due to Lara, the new Phillips River shares will be issued equally to Lara (50%) and Kiwanda (50%), with 50-60% of the shares payable upon closing of the transaction and the remainder only payable subject to achieving certain production and resource definition milestones. Phillips River will assume the day-to-day management and costs of these assets, with Lara retaining the right to appoint a director to the Phillips River's board of directors. Lara is further entitled to a 2% production royalty on the Coal Alliance assets and once an annual production capacity of 50,000 tons has been achieved, a 2% production royalty on the Phosphate Alliance assets. Phillips River shareholders approved the transaction on May 15, 2015. The transaction is proceeding and is expected to be completed in 2016.

(Expressed in Canadian dollars)

8. EXPLORATION EXPENDITURES

During the three months ended March 31, 2016, the Company incurred the following exploration expenditures, which were expensed as incurred:

	Curionópolis Brazil	Caninde Brazil	General and other Brazil	Grace Peru	Sami Peru	General and other Peru	Total
Administrative	$ 15,956	$ -	$ 79,683	$ 3,276	$ 48	$ 29,058	$ 128,021
Assays	555	-	20,599	-	-	-	21,154
Field costs	-	-	50,317	-	-	-	50,317
Property maintenance	10,148	-	12,545	-	-	-	22,693
Salaries / consultants	13,387	-	40,450	-	-	-	53,837
Telecommunications	-	-	110	-	-	-	110
Travel	-	-	8,626	-	-	-	8,626
Trenching	-	-	20,044	-	-	-	20,044
Total expenditures	40,046	-	232,374	3,276	48	29,058	304,802
Recoveries	(27,714)	-	-		-	-	(27,714)
Net expenditures	$ 12,332	$ -	$ 232,374	$ 3,276	$ 48	$ 29,058	$ 277,088

(Expressed in Canadian dollars)

8. EXPLORATION EXPENDITURES (continued)

During the three months ended March 31, 2015, the Company incurred the following exploration expenditures, which were expensed as incurred:

	Curionópolis Brazil	Caninde Brazil	General and other Brazil	Condoroma Peru	Corina Peru	Picha Peru	Sami Peru	General and other Peru	Total
Administrative	$ 46,688	$ 57,395	$ 21,888	$ 770	$ 4,083	$ 496	$ 2,018	$ 8,155	$ 141,493
Assays	-	3,230	9,453	-	-	-	-	-	12,683
Drilling	-	70,085	-	-	-	-	-	-	70,085
Field costs	50,368	13,104	5,640	130	689	84	147	1,267	71,429
Property maintenance	23,081	5,928	1,258	29	156	19	33	280	30,784
Salaries /consultants	29,777	40,821	41,338	2,454	13,014	1,581	1,615	20,973	151,573
Telecommunications	954	13	730	88	466	57	99	837	3,244
Travel	4,471	12,921	8,585	67	354	43	75	1,087	27,603
Trenching	-	11,199	-	-	-	-	-	-	11,199
Total expenditures	155,339	214,696	88,892	3,538	18,762	2,280	3,987	32,599	520,093
Recoveries	(110,031)	(111,168)	-	-	-	-	-	-	(221,199)
Net expenditures	$ 45,308	$ 103,528	$ 88,892	$ 3,538	$ 18,762	$ 2,280	$ 3,987	$ 32,599	$ 298,894

(Expressed in Canadian dollars)

8. EXPLORATION EXPENDITURES (continued)

During the three months ended March 31, 2016, the Company received the aggregate option payments as follows:

	Gross options payments received Shares	Cash	Advances	Total	Recovery of exploration expenditures	Option revenue Total	Total
Caninde, Brazil	$ -	$ -	$	$ -	$ -	$ -	$ -
Curionópolis, Brazil	-	693,975	27,714	721,689	27,714	693,975	721,689
Total	$ -	$ 693,975	$ 27,714	$ 721,689	$ 27,714	$ 693,975	$ 721,689

During the three months ended March 31, 2015, the Company received the aggregate option payments as follows:

	Gross options payments received Shares	Cash	Advances	Total	Recovery of exploration expenditures	Option revenue Total	Total
Caninde, Brazil	$ -	$ -	$ 111,168	$ 111,168	$ 111,168	$ -	$ 111,168
Curionópolis, Brazil	-	-	110,031	110,031	110,031	-	110,031
Total	$ -	$ -	$ 221,199	$ 221,199	$ 221,199	$ -	$ 221,199

(Expressed in Canadian dollars)

9. INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES

Kiwanda Coal Alliance

The Company owns a 50% interest in Andean Coal (BVI) Ltd. ("Andean Coal"). The Company's had a net investment in Andean Coal of $408,051 at December 31, 2015. The Company's share of the net loss for the three months ended March 31, 2016, was $696 which reduced its net investment in Andean Coal to 407,355.

Kiwanda Phosphate Alliance

The Company owns a 50% interest in Kiwanda Alliance (BVI) Inc. ("Kiwanda BVI"). At December 31, 2015, the Company's net investment in Kiwanda was $nil and there were accumulated unrecognized losses of $185,069. During the three months ended March 31, 2016, the Company made an additional investment of $1,371. The Company's share of the net loss for the period was $32,052 and recognized a loss of $1,371, resulting in an accumulated unrecognized loss of $215,750 and a net investment in Kiwanda of $nil at March 31, 2016.

Minas Dixon S.A.

The Company owns a 45% interest in Minas Dixon S.A. ("Minas"). At December 31, 2015 Lara had an accumulated unrecognized loss of $33,280 in Minas with a net investment of $nil. During the three months ended, the Company made an additional investment of $23,764. The Company's share of the net loss for the three months ended March 31, 2016 was $6,346 and it recognized an additional $17,418 of previously unrecognized losses for a total loss of $23,764. At March 31, 2016 the Company's net investment in Minas was nil and there were $15,862 of previously unrecognized losses.

The continuity of investment in associated companies and joint ventures is as follows:

	Minas	Kiwanda	Andean Coal	Total
Investment in associated company				
Net investment at December 31, 2015	$ -	$ -	$ 408,051	$ 408,051
Additional investment (recovery) for the three months ended March 31, 2016	23,764	1,371	-	25,135
Share of net (loss) recovery	(6,346)	(1,371)	(696)	(8,413)
Prior year's loss recognized	(17,418)	-	-	(17,418)
Net investment at March 31, 2016	$ -	$ -	$ 407,355	$ 407,355

As at March 31, 2016, the associated companies' and joint venture's aggregate assets, aggregate liabilities and net losses are as follows:

	Minas	Kiwanda	Andean Coal
Current assets	$ 17,743	$ 3,454	$ 11
Non-current assets	-	-	564,477
Current liabilities	(453)	(5,709)	-
Loss for the period	(14,103)	(64,103)	(1,391)
The Company's ownership percentage	45%	50%	50%
The Company's share of loss for the period	(6,346)	(32,052)	(696)

9. INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

The Company has a minority position on the Board of Minas and has a joint control position on the Boards of Andean Coal and Kiwanda BVI and has joint control on operational decisions. The Company has determined that it has significant influence in its associated company and has joint control over its joint arrangements and therefore equity accounting is appropriate.

(Expressed in Canadian dollars)

10. LONG-TERM INVESTMENTS

The Company has the following long-term investments in the common shares of private companies and of companies that trade on the TSX Venture Exchange and the Australian Securities Exchange. The shares have been classified as financial assets that are available-for-sale ("AFS") and are valued at their fair market values at March 31, 2016.

	Fair value December 31, 2015	Additions	Disposals	Change in fair value	Fair value March 31, 2016
Available-for-sale investments					
Aguia Resources Ltd.	$ 160,399	$ -	$ -	$ (42,075)	$ 118,324
Mt. Ridley Mines Inc.	23,786	-	-	1,714	25,500
Redzone Resources Ltd.	8,500	-	-	(1,700)	6,800
Total	$ 192,685	$ -	$ -	$ (42,061)	$ 150,624

(Expressed in Canadian dollars)

11. EQUITY

Authorized

As at March 31, 2016, the authorized share capital of the Company was an unlimited number of common shares without par value.

Share Capital

During the three months ended March 31, 2016, the Company issued:

- 5,500 shares on the exercise of share purchase options value at $1,375

Stock Options

The changes in stock options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Balance as at December 31, 2015	2,660,000	$ 0.69
Granted	-	-
Expired/cancelled	(50,000)	(1.76)
Exercised	(5,500)	(0.25)
Balance as at March 31, 2016	2,604,500	$ 0.67

The following table summarizes the stock options outstanding and exercisable at March 31, 2016:

Date Granted	Expiry Date	Exercise Price	Number Outstanding	Number Exercisable
June 24, 2011	June 24, 2016	1.18	100,000	100,000
November 21, 2011	November 21, 2016	1.36	100,000	100,000
January 31, 2012	January 31, 2017	1.20	790,000	790,000
October 25, 2012	October 25, 2017	1.33	100,000	100,000
April 22, 2014	April 22, 2019	0.86	50,000	50,000
July 24, 2015	July 24, 2020	0.25	1,464,500	1,464,500
Total			2,604,500	2,604,500

The weighted average remaining life of the outstanding stock options is 2.83 years. On February 21, 2016 50,000 options with an exercise price of $1.76 expired unexercised.

(Expressed in Canadian dollars)

11. EQUITY (continued)

Share-based Payments

During the three months ended March 31, 2016, the Company accrued $13,158 of share-based payments for vesting bonus shares.

12. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being exploration and development of exploration and evaluation assets. Except for exploration and evaluation assets, equipment and exploration expenditures, substantially all of the Company's assets and expenditures are located and incurred in Canada. Exploration and evaluation assets are located in Brazil and Peru, equipment is located mainly in Brazil and all of the exploration expenditures are incurred in Brazil, Peru and Chile.

13. RELATED PARTY TRANSACTIONS AND BALANCES

The aggregate value of transactions and outstanding balances relating to key management personnel are as follows:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Salaries, benefits and directors' fees	$ 83,042	$ 96,000
Share-based payments	10,527	22,904
	$ 93,569	$ 118,904

Amounts due to and from related parties as of March 31, 2016 and December 31, 2015 are as follows:

Related party assets and liabilities	Service or items	March 31 2016	December 31 2015
Amounts due to:			
Chief Executive Officer	Fees and expenses	$ 30,175	$ 71,214
Vice President, Corporate Development	Fees	12,600	30,843
Vice President, Exploration	Fees and expenses	68,404	81,816
Amounts due from:			
Seabord Services Corp	Deposit	10,000	10,000
Reservoir Capital Corp. *(common director)*	Expense recovery	1,199	1,199
Reservoir Minerals Inc. *(common director)*	Expense recovery	2,356	-

During the three months ended March 31, 2016, the Company paid $53,400 (2015 - $53,400) to Seabord Services Corp. ("Seabord"). Seabord is a management services company controlled by a former director. Seabord provides the services of a Chief Financial Officer ("CFO"), a Corporate Secretary, accounting and administrative staff, and office space to the Company. The CFO and Corporate Secretary are employees of Seabord and are not paid directly by the Company.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the three months ended March 31, 2016, the Company did not make any payments for interest or taxes.

15. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk and interest rate risk.

Credit Risk

The Company's cash and cash equivalents are mainly held through large Canadian or US financial institutions and, as at December 31, 2015, are mainly held in interest-bearing accounts; accordingly, credit risk is minimized. The Company assesses the collectability of amounts owing from partners on their mineral properties and on its loans receivable and records allowances for non-collection based on management's assessment of specific accounts.

Currency Risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, Brazil, Peru and Chile. The Company funds cash calls to its subsidiary companies outside of Canada in Canadian and US dollars and a portion of its expenditures are also incurred in the local currencies. The risk is that there could be a significant change in the exchange rate of the Canadian dollar relative to the US dollar, the Brazilian real and the Peruvian sol. A significant change in these rates could have an adverse effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

As at December 31, 2015, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars, Brazilian reals, Peruvian sols and Chilean pesos:

	US dollars	Brazilian reals	Peruvian sols	Chilean pesos	Total
Cash and cash equivalents	710,315	11,171	3,445	1,670,363	
Receivables	-	3,111	4,942	-	
Accounts payable and accrued liabilities	(18,571)	(248,405)	(22,664)	(371,250)	
Net exposure	691,744	(234,123)	(14,277)	1,299,113	
Canadian dollar equivalent	$896,985	(84,401)	$ (5,411)	$2,526	$ 809,699

15. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Based on the above net exposures as at March 31, 2016 and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the above foreign currencies would result in an increase/ decrease of approximately $81,000 to the net loss.

Market and Interest Rate Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in values as a result of volatility of quoted market prices. Interest rate risk is the risk that the fair value of cash flows from a financial instrument will fluctuate due to changes in market interest rates. Lara holds AFS investments which have market risk and have declined in value since acquisition, as a result of the weak equity markets for exploration companies. The Company’s cash is held mainly in interest-bearing bank accounts, and therefore there is currently minimal interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. All of the Company’s financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company manages liquidity risk through the management of its capital resources as outlined below.

Management of Capital

The Company’s objective when managing capital is to safeguard the Company’s ability to continue as a going concern in order to pursue the development of its mineral properties. The Company relies mainly on equity issuances to raise new capital and on entering into joint venture agreements on certain properties, which enables it to conserve capital and to reduce risk. Lara can liquidate long-term investments in order to raise additional cash resources. In the management of capital, the Company includes the components of shareholders’ equity as well as cash. The Company prepares annual estimates of exploration and administrative expenditures and monitors actual expenditures compared to the estimates to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company’s investment policy is to invest its cash in savings accounts or highly liquid short-term deposits with terms of one year or less and which can be liquidated after 30 days without penalty. The Company may have to raise additional capital resources to fund its exploration programs and to cover its administrative costs for the next twelve months.

(Expressed in Canadian dollars)

16. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

	March 31, 2016		
Financial instruments	Available-for-sale investments	Loans and receivables	Other financial liabilities
Cash and cash equivalents	$ -	$ 1,180,106	$ -
Restricted cash equivalents	-	46,000	-
Receivables	-	8,679	-
Long-term investments	150,624	-	-
Accounts payable and accrued liabilities	-	-	(238,772)
	$ 150,624	$ 1,234,785	$ (238,772)

	December 31, 2015		
Financial instruments	Available-for-sale investments	Loans and receivables	Other financial liabilities
Cash and cash equivalents	$ -	$ 1,017,726	$ -
Restricted cash equivalents	-	46,000	-
Receivables	-	6,624	-
Long-term investments	192,685	-	-
Accounts payable and accrued liabilities	-	-	(280,054)
	$ 192,685	$ 1,070,350	$ (280,054)

Fair Value

Financial instruments measured at fair value on the consolidated statement of financial position are summarized into the following fair value hierarchy levels:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of receivables, accounts payable and accrued liabilities approximated their fair value due to the short-term nature of these instruments.

16. FINANCIAL INSTRUMENTS (continued)

Financial instruments measured at fair value on the condensed consolidated interim statements of financial position are summarized in levels of fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
March 31, 2016				
Long-term investments	$ 150,624	$ -	$ -	$ 150,624
December 31, 2015				
Long-term investments	$ 192,685	$ -	$ -	$ 192,685