LARA EXPLORATION LTD.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2018 AND 2017
(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Lara Exploration Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Lara Exploration Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw our attention to Note 1 of the Consolidated Financial Statements, which indicates that the Company has not achieved profitable operations and has accumulated losses since inception. The Company will need to raise additional capital resources to fund its exploration programs and administration expenses for the next twelve months. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect to this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Davidson-co.com

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 15, 2019

LARA EXPLORATION LTD.
(An Exploration Stage Company)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		December 31, 2018		December 31, 2017
ASSETS				
Current assets				
Cash and cash equivalents (Note 3)	$	780,247	$	1,532,332
Short-term investments (Note 3)		-		551,616
Receivables (Note 4)		16,623		16,529
Prepaids and deposits (Note 5)		57,743		50,062
Total current assets		854,613		2,150,539
Non-current assets				
Restricted cash equivalents (Note 6)		57,500		57,500
Equipment (Note 7)		52,212		61,821
Exploration and evaluation assets (Note 8)		194,672		185,013
Investment in associated company and joint ventures (Note 10)		131,243		306,735
Long-term investments (Note 11)		114,648		1,681,384
Total non-current assets		550,275		2,292,453
TOTAL ASSETS	$	1,404,888	$	4,442,992
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Note 14)	$	322,766	$	98,844
TOTAL LIABILITIES		322,766		98,844
EQUITY				
Share capital (Note 12)		24,371,350		24,283,887
Commitment to issue shares (Note 12)		72,164		-
Share-based payments reserve		9,194,039		9,054,746
Accumulated other comprehensive income		-		695,506
Deficit		(32,555,431)		(29,689,991)
TOTAL EQUITY		1,082,122		4,344,148
TOTAL LIABILITIES AND EQUITY	$	1,404,888	$	4,442,992

Nature of operations and ability to continue as a going concern (Note 1)
Events after the reporting date (Note 19)

These consolidated financial statements were authorized for issuance by the Board of Directors on April 15, 2019.

Approved by the Board of Directors

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

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

LARA EXPLORATION LTD.
(An Exploration Stage Company)
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended December 31,			
		2018		2017
EXPLORATION EXPENDITURES (Note 9)	$	1,044,477	$	1,050,188
GENERAL AND ADMINISTRATIVE EXPENSES				
Depreciation (Note 7)		692		692
Management fees (Note 14)		120,000		120,000
Office, rent and administrative services		338,508		349,974
Professional fees		104,277		78,601
Shareholder communication and investor relations		73,470		91,678
Share-based payments (Notes 12 and 14)		278,920		717,943
Transfer agent and regulatory fees		53,507		58,417
Travel and related costs		76,523		18,563
Total general and administrative expenses		1,045,897		1,435,868
		(2,090,374)		(2,486,056)
Change in fair value of FVTPL financial instruments (Note 11)		(732,718)		517,242
Equity loss on investment in associated companies and joint ventures (Note 10)		(264,281)		(165,387)
Foreign exchange gain (loss)		27,955		(82,400)
Gain on sale of subsidiaries (Note 8)		-		1,033,047
Interest income		8,050		18,618
Other income		8,224		200
Write-off of exploration and evaluation assets (Note 8)		(36,052)		(12,810)
		(988,822)		1,308,510
Net loss for the year	$	(3,079,196)	$	(1,177,546)
OTHER COMPREHENSIVE INCOME (LOSS)				
Realized gain on sale of FVTOCI investments	$	(213,756)		-
Change in fair value of FVTOCI investments Note (11)		(481,750)	$	610,451
Comprehensive loss for the year	$	(3,774,702)	$	(567,095)
Loss per common share				
Basic and diluted loss per common share	$	(0.09)	$	(0.03)
Weighted average number of common shares outstanding (basic and diluted)		34,377,337		34,238,909

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

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

	Year Ended December 31, 2018	2017
OPERATING ACTIVITIES		
Net loss for the year	$ (3,079,196)	$ (1,177,546)
Items not affecting cash:		
Depreciation	692	692
Depreciation included in exploration expenditures	16,402	8,866
Equity loss on investment in associated companies and joint ventures	264,281	165,387
Change in fair value of FVTPL investments	732,718	(517,242)
Gain on sale of a subsidiary	-	(1,033,047)
Other income	-	(200)
Write-off of exploration and evaluation assets	36,052	12,810
Unrealized foreign exchange (gain) loss	(55,553)	52,041
Share-based payments	278,920	717,943
Changes in non-cash working capital items:		
Receivables	(94)	7,010
Prepaids and deposits	(7,681)	36,997
Accounts payable and accrued liabilities	223,922	13,212
Advances from joint venture partners	-	(33,086)
	(1,589,537)	(1,746,163)
INVESTING ACTIVITIES		
Short-term investments	551,616	(551,616)
Acquisition of exploration and evaluation assets	(45,711)	(34,297)
Investment in associated companies and joint ventures	(88,789)	(100,418)
Proceeds from the sale of long-term investments	503,452	-
Investment in restricted cash	-	(11,500)
Long-term investments	(151,184)	-
Proceeds from sale of subsidiaries	-	983,120
Purchase of equipment	(7,485)	(58,518)
	761,899	226,771
FINANCING ACTIVITIES		
Exercise of options	20,000	-
	20,000	-
Effect of exchange rate changes on cash and cash equivalents	55,553	(52,041)
Change in cash and cash equivalents	(752,085)	(1,571,433)
Cash and cash equivalents, beginning of year	1,532,332	3,103,765
Cash and cash equivalents, end of year	$ 780,247	$ 1,532,332

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

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Consolidated 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, 2017	34,287,608	$ 24,283,887	$ -	$ 9,054,746	$ 695,506	$ (29,689,991)	$ 4,344,148
Exercise of stock options	80,000	20,000	-	-	-	-	20,000
Reclassification of share-based payments reserve on exercise of stock options	-	7,464	-	(7,464)	-	-	-
Share-based payments	-	-	-	146,757	-	-	146,757
Bonus shares issued	83,332	59,999	72,164	-	-	-	132,163
Change in fair value of investments	-	-	-	-	(481,750)	-	(481,750)
Realized gain on sale of FTOCI investments	-	-	-	-	(213,756)	213,756	-
Net loss for the year	-	-	-	-	-	(3,079,196)	(3,079,196)
Balance as at December 31, 2018	34,450,940	$ 24,371,350	$ 72,164	$ 9,194,039	$ -	$ (32,555,431)	$ 1,082,122
Balance as at December 31, 2016	34,212,607	$ 24,226,886	$ 44,558	$ 8,349,246	$ 85,055	$ (28,512,445)	$ 4,193,300
Share-based payments	-	-	12,443	705,500	-	-	717,943
Bonus shares issued	75,001	57,001	(57,001)	-	-	-	-
Change in fair value of investments	-	-	-	-	610,451	-	610,451
Net loss for the year	-	-	-	-	-	(1,177,546)	(1,177,546)
Balance as at December 31, 2017	34,287,608	$ 24,283,887	$ -	$ 9,054,746	$ 695,506	$ (29,689,991)	$ 4,344,148

The accompanying notes are an integral part of these consolidated 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 and Peru. These consolidated financial statements of the Company as at and for the years ended December 31, 2018 and 2017 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 consolidated 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 consolidated 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 consolidated financial statements, the Company has not identified a known body of commercial grade mineral on any of its properties. The Company has not achieved profitable operations and has accumulated losses since inception. The Company will need to raise additional capital resources to fund its exploration programs and administrative expenses for the next twelve months. Therefore, there is material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

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 International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

These annual consolidated financial statements have been prepared on a historical cost basis, except for long-term investments which are classified as either fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The preparation of these consolidated 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. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

2. BASIS OF PRESENTATION (continued)

Basis of Consolidation

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

Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. The Company's principal operating subsidiaries and associated companies are as follows:

Name	Principal Activity	Place of incorporation	Ownership %
Maxy Gold Corp.	Exploration company	British Columbia, Canada	100%
Maxy Gold Peru S.A.C.	Exploration company	Peru	100%
Lara Peru S.A.C.	Exploration company	Peru	100%
Lara do Brasil Mineracao Ltda.	Exploration company	Brazil	100%
Andean Coal (BVI) Ltd. *	Holding company	British Virgin Islands	50%
Kiwanda Alliance (BVI) Inc. *	Holding company	British Virgin Islands	50%
Kiwanda Chile SA *	Exploration company	Chile	50%
Minas Dixon S.A. *	Exploration company	Peru	45%

* These entities are jointly controlled, referred to as joint ventures and accounted for using the equity method of accounting (Note 10).

Business Combinations

Acquisitions of businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed and equity investments issued by the Company in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at the lower of cost and fair value less costs to sell. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Foreign Currencies

The functional and presentation currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the period-end exchange rate. Non-monetary items that are measured in terms of

2. BASIS OF PRESENTATION (continued)

historical cost in a foreign currency are not retranslated. The Company has determined that the functional currency of its foreign subsidiaries is the Canadian dollar. Exchange differences arising from the translation of the net investment in its subsidiaries are recorded as a gain or loss on foreign currency translation in profit or loss.

Financial Instruments

Change of Accounting Policy

On January 1, 2018, the Company adopted all of the requirements of IFRS 9 – Financial Instruments. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9; therefore, the Company's accounting policy with respect to financial liabilities is unchanged.

The main area of change is the accounting for equity securities previously classified as available for sale. The Company elected to classify these investments as FVTOCI, as they are held for trading. The Company completed an assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial Assets and Liabilities	Original Classification – IAS 39	New Classification – IFRS 9
Cash and cash equivalents	Amortized cost	Amortized cost
Restricted cash	Amortized cost	Amortized cost
Receivables	Amortized cost	Amortized cost
Long-term investments – equities	Available for sale	FVTOCI
Long-term investments – options	FVTPL	FVTPL
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

The adoption of IFRS 9 did not result in any material changes to the Company's financial statements.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following three categories: amortized cost, FVTPL and FVTOCI.

The Company's cash and cash equivalents, short-term investments, restricted cash and accounts receivables are recorded at amortized cost.

Financial assets classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss). The Company's long-term investments in equities acquired in 2017 and prior years are classified as FVTOCI and long-term investments in options are classified as FVTPL. The Valor options which were exercised into shares in the year ended December 31, 2018 were designated as FVTPL.

2. BASIS OF PRESENTATION (continued)

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss ("FVTPL") or other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. The Company's accounts payable and accrued liabilities and advances from joint venture partners are classified as other financial liabilities. The Company does not currently have any FVTPL financial liabilities.

Impairment of financial assets

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk. There was no adjustment relating to the implementation of the expected credit loss model for the Company's trade or settlement receivables.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods, if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of financial position is comprised of cash at banks and on-hand, broker balances, and short-term deposits with an original maturity of three months or less or are readily convertible into a known amount of cash.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write-off the cost of equipment, less their estimated residual value, using the straight-line method at various rates ranging from 10% to 33 1/3% per annum. An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statements of loss and comprehensive loss.

2. BASIS OF PRESENTATION (continued)

Exploration and Evaluation Assets and Expenditures

Acquisition costs for exploration and evaluation assets, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for mineral properties pursuant to the terms of the agreement. Exploration expenditures, net of recoveries, are recorded in the consolidated statements of loss and comprehensive loss as incurred.

After an exploration and evaluation asset is determined by management to be commercially viable and technically feasible, exploration and evaluation expenditures on the property will first be assessed for impairment before being capitalized.

Option payments to acquire an exploration and evaluation asset, made at the sole discretion of the Company under an option agreement, are capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral property until the payments are in excess of acquisition costs, at which time they are then credited to profit or loss. Option payments are at the discretion of the optionee and, accordingly, are accounted for when receipt is reasonably assured.

Capitalized acquisition costs are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work being carried out by the Company or its partners on a property, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount. The recoverability of the carrying amount of mineral properties is dependent on successful development and commercial exploitation or, alternatively, the sale of the respective areas of interest.

Investments in Joint Arrangements

The Company accounts for its investment in a joint venture using the equity method and accounts for investments in joint operations by recognizing the Company's direct rights to assets, obligations for liabilities, revenues and expenses. Under the equity method, the interest in the joint venture is carried on the consolidated statement of financial position at cost plus changes in the Company's share of its net assets, less distributions received and less any impairment in the value of individual investments.

Equity Investment

The Company accounts for its long-term investments in affiliated companies over which it has significant influence and investments in joint ventures using the equity method of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the Company's share of earnings or losses and reduced by dividends received.

The Company assesses its equity investments for impairment if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the equity investment and that the event or events has an impact on the estimated future cash flow of the investment that can be reliably estimated. Objective evidence of impairment of equity investments includes:

- significant financial difficulty of the associated companies;

2. BASIS OF PRESENTATION (continued)

- becoming probable that the associated companies will enter bankruptcy or other financial reorganization; and
- national or local economic conditions that correlate with defaults of the associated companies.

Impairment

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such 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 fair value less costs to sell ("FVLCS") and value in use ("VIU"). FVLCS 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 VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is established 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 the purposes of impairment testing, mineral properties are allocated to cash-generating units to which the exploration activity relates. 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. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount 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.

Valuation of Equity Units Issued in Private Placements

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in private placements was determined to be the more easily measurable component and they were valued at their fair value, as determined by the closing quoted bid price on the day prior to the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as other reserve.

Share-based Payment Transactions

The stock option plan (Note 12) allows Company employees and consultants to acquire shares of the Company. Share-based payments to employees are measured at the fair value of the instruments issued and are amortized over the vesting period. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest.

The offset to the recorded cost is to share-based payment reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

2. BASIS OF PRESENTATION (continued)

The fair value is measured at grant date and each tranche is recognized on a straight-line basis over the period the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

The Company's bonus share plan allows it to grant bonus shares as long-term incentive compensation. Bonus shares granted entitle the holder to receive common shares of the Company at the completion date of the vesting period. Share-based payment expense is recognized over the vesting period based on the quoted market value of the common shares on the grant date.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred 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 regarding previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably 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 statement of financial position date. 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 utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to the offset of current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Restoration, Rehabilitation and Environmental Obligations

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. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the

2. BASIS OF PRESENTATION (continued)

obligation. Costs for restoration of subsequent site damage, which is created on an ongoing basis during production, are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

Earnings (Loss) per Share

Basic earnings (loss) per share ("EPS") is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive instruments. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. In years where a loss is reported, diluted loss per share is the same as basic loss per share because the effects of potentially dilutive common shares would be anti-dilutive.

Segment Reporting

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

Significant Accounting Judgments and Estimates

The preparation of consolidated financial statements in conformance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical Accounting Estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

<u>Estimated useful lives of equipment</u>

The estimated useful lives of equipment, which is included in the consolidated statements of financial position, will impact the amount and timing of the related depreciation included in profit or loss.

<u>Share-based payments (stock options) and FVTPL investments</u>

The fair value of stock options issued, and options or warrants classified as FVTPL investments are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

2. BASIS OF PRESENTATION (continued)

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Critical Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Functional currency

The Company applied judgment in determining its functional currency and the functional currency of its subsidiaries. The functional currency was determined based on the currency in which funds are sourced and the degree of dependence on the Company for financial support.

Equity investments

The Company has a minority position on the Board of Minas Dixon S.A. ("Minas") and has a joint control position on the Boards of Andean Coal (BVI) Ltd. ("Andean Coal") and Kiwanda Alliance (BVI) Ltd. ("Kiwanda"). The Company has determined that it has significant influence in its associated company and has joint control over operational decisions in its joint ventures; therefore, the Company accounts for these investments using equity accounting.

Exploration and evaluation assets

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial resources. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful, and some assets are likely to become impaired in future periods.

Accounting Pronouncement Not Yet Effective

IFRS 16 Leases was issued in January 2016 and is effective for periods beginning on or after January 1, 2019. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The Company expects that this new IFRS standard will have an insignificant effect on its consolidated financial statements.

3. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

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

	December 31, 2018	December 31, 2017
Cash	$ 780,247	$ 259,102
Short-term deposits	-	1,273,230
Cash and cash equivalents	$ 780,247	$ 1,532,332

At December 31, 2018, the Company's cash was mainly held in interest-bearing deposit accounts with its Canadian bank. At December 31, 2017 the Company's short-term deposits were invested in US dollar guaranteed investment certificates ("GICs") at a rate of 0.9% per annum (US$810,000 plus interest) and a GIC of $256,631, including interest at a rate of 1.55% per annum.

The Company also had a short-term investment in a GIC of $551,616 including interest at a rate of 1.85% per annum which matured on May 2, 2018.

4. RECEIVABLES

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

	December 31, 2018	December 31, 2017
Accounts receivable	$ 11,841	$ 11,264
GST receivable	4,782	5,265
Receivables	$ 16,623	$ 16,529

5. PREPAIDS AND DEPOSIT

The Company's prepaids include the unamortized portion of insurance policies, expense advances to consultants and costs incurred to apply for mineral claims. The deposit is with Seabord Services Corp., a company which provides management services.

	December 31, 2018	December 31, 2017
Prepaid expenses and expense advances	$ 47,743	$ 40,062
Deposit	10,000	10,000
Prepaids and deposit	$ 57,743	$ 50,062

(Expressed in Canadian dollars)

6. RESTRICTED CASH EQUIVALENTS

At December 31, 2018, the Company classified $57,500 (December 31, 2017 - $57,500) as restricted cash equivalents. This amount is held as collateral for the Company's corporate credit cards and is invested in GICs at a rate of 1.6%.

7. EQUIPMENT

	Vehicles	Field equipment	Office equipment	Computer equipment	Total
Costs					
December 31, 2016	$ -	$ 3,015	$ 92,427	$ 41,968	$ 137,410
Additions	58,518	-	-	-	58,518
Disposals	-	(3,015)	-	-	(3,015)
December 31, 2017	58,518	-	92,427	41,968	192,913
Additions	-	-	2,976	4,509	7,485
Disposals	-	-	-	-	-
December 31, 2018	58,518	-	95,403	46,477	200,398
Accumulated depreciation					
December 31, 2016	-	921	80,715	40,970	122,606
Additions	5,863	151	3,014	530	9,558
Disposals	-	(1,072)	-	-	(1,072)
December 31, 2017	5,863	-	83,729	41,500	131,092
Additions	11,704	-	3,538	1,852	17,094
Disposals	-	-	-	-	-
December 31, 2018	$ 17,567	-	87,267	$ 43,352	148,186
Net book value					
December 31, 2017	$ 52,655	$ -	$ 8,698	$ 468	$ 61,821
December 31, 2018	$ 40,951	$ -	$ 8,136	$ 3,125	$ 52,212

Of the $17,094 (2017 -$9,558) of depreciation expense recognized during the year ended December 31, 2018, $16,402 (2017 - $8,866) was included as exploration expenditures and $692 (2017 - $692) was recorded as depreciation on the statements of loss and comprehensive loss. In the year ended December 31, 2017, Lara sold two subsidiaries related to the Curionopolis Copper-Gold Project. As a result, field equipment with a net book value of $1,943 was removed from equipment. In the year ended December 31, 2017, the Company purchased a vehicle in Brazil for $58,518.

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS

	December 31, 2016	Additions	Write down	December 31, 2017
Brazil				
Planalto Copper	$ 55,449	$ -	$ -	$ 55,449
Azul Tin	21,638	-	-	21,638
Serrita	12,810	-	(12,810)	-
Damolandia	19,358	-	-	19,358
Peru				
Antamaray	24,286	3,225	-	27,511
Puituco	10,447	30,524	-	40,971
Buenos Aires	19,538	548	-	20,086
Total	$ 163,526	$ 34,297	$ (12,810)	$ 185,013

	December 31, 2017	Additions	Recoveries	Write down	December 31, 2018
Brazil					
Planalto Copper	$ 55,449	$ 72,037	$ (127,486)	$ -	$ -
Azul Tin	21,638	-	-	-	21,638
Damolandia	19,358	18,975	-	-	38,333
Peru					
Antamaray	27,511	718	-	-	28,229
Puituco	40,971	-	(14,731)	-	26,240
Buenos Aires	20,086	4,144	-	-	24,230
Huacamaya	-	36,052	-	(36,052)	-
Rafa	-	31,628	-	-	31,628
Other	-	24,374	-	-	24,374
Total	$ 185,013	$ 187,928	$ (142,217)	$ (36,052)	$ 194,672

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

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. Tessarema can complete its acquisition of 100% of the project by making a final payment of US$750,000 to Lara, and placing the project into commercial production at a minimum rate of 500 tonnes per day, thereafter paying a 2% net smelter return ("NSR") royalty to Lara. Tessarema was not able to reach commercial production on the property in 2017 by the contractual deadline. Subsequent to that deadline, Lara and Tessarema agreed to revise the terms of the agreement. In June 2017, Lara completed the sale of the Curionopolis Copper Project to Tessarema and received $983,250 (US$750,000), a 5% carried interest in the project company, Mineracao Maravaia Ltda., and a 2% NSR royalty on the Maravaia project and other mineral rights covered by the original Curionopolis Option Agreement with Tessarema. Tessarema completed the acquisition of the project by acquiring two subsidiaries from Lara, Carajas (BVI) Ltd. and Maravaia Mineracao Ltda. If the Maravaia Mine does not reach commercial production by November 26, 2018, Tessarema must make an additional US$1,000,000 payment to Lara. The mine has not reached commercial production and Tessarema does not have sufficient funds to make the US$1,000,000 payment to Lara. However, the agreement is being renegotiated and the outstanding payment may be paid from proceeds from production. For the year ended December 31, 2017, the Company recorded a gain on sale as follows:

Assets and Liabilities Held by Former Subsidiaries	Amount
Cash	$ 130
Receivables	42,974
Equipment	1,943
Accounts payable and accrued liabilities	(25,358)
Advances from JV partners	(69,486)
Net liability held by former subsidiaries	49,797
Gross proceeds on sale of subsidiaries	983,250
Gain on sale of subsidiaries	$ 1,033,047

Liberdade Copper Project

Work on the project is currently suspended, pending the renewal of the exploration license by the Brazilian Department of Mines ("DNPM"). The 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 do Brasil Mineracao Ltda. 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.

8. EXPLORATION AND EVALUATION ASSETS (continued)

Planalto Copper Project

In February 2013 (amended in June 2016), the Company entered into an option agreement to acquire a 100% interest in the Planalto Copper Project by paying US$500,000 (US$100,000 paid to date) in cash and a 2% NSR royalty. Lara has the right to acquire 50% of the NSR for US$2,000,000. The original Planalto mineral licenses were cancelled by the National Department of Mineral Production ("DNPM") based on perceived deficiencies in the application paperwork. These deficiencies were rectified and the licenses were reissued to Lara in June 2016. During the year ended December 31, 2016, the Company made an option payment of $29,672 (US$25,000) which was capitalized to exploration and evaluation assets. In June 2018, the Company made a US$50,000 option payment which was capitalized to exploration and evaluation assets. On October 30, 2018, Capstone Mining Corp. ("Capstone") signed a letter of intent with Lara to option the Planalto Copper Project and made a payment of US$150,000 ($197,854) to Lara. The option payment was first applied against the capitalized value of the Planalto Copper Project in the amount of $127,486 with the balance of $70,368 being recorded as a recovery of exploration expenses. A definitive agreement was signed subsequent to year end (Note 19), granting Capstone an option to earn up to a 70% interest in the property.

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. Lara did not make the US$40,000 payment due on December 31, 2016. In April 2017, Best agreed to extend the option in exchange for a single payment of US$700,000 due by December 31, 2018. Best is entitled to a 2% royalty on the value of ore produced. Lara can purchase the royalty from Best for a one-time payment of US$3,000,000. Lara did not make the US$700,000 payment by December 31, 2018. Lara and Best are discussing an amended agreement.

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% NSR royalty on any production from the project, but Lara retains the right to purchase this royalty for a cash payment of US$2,000,000. During the year ended December 31, 2016, the Company made its first option payment in the amount of $19,358 (US$15,000) which was capitalized to exploration and evaluation assets. Lara made another US$15,000 option payment in the first quarter of 2018, which was capitalized to exploration and evaluation assets. On January 23, 2018 the agreement was amended and Lara now has until February 16, 2020 to make the first of three US$50,000 payments. Originally that payment was due in 2019. The other terms of the agreement remain as before the amendment.

Serrita Gold Project

The Company completed further mapping and sampling work on this property and decided to terminate its option agreement. As a result, the Company wrote off $12,810 of exploration and evaluation costs in the year ended December 31, 2017.

8. EXPLORATION AND EVALUATION ASSETS (continued)

Peru

Antamaray, Puituco and Buenos Aires Properties

During the two years ended December 31, 2018 and 2017, the Company incurred filing and land fees to acquire exploration licenses for Antamaray (2018 - $718; 2017 - $3,225), Puituco (2018 - $Nil; 2017 - $30,524) and Buenos Aires (2018 - $4,144; 2017 - $548).

During the year ended December 31, 2018, the Company received a cash refund of $14,731 (2017 – $Nil) for the Puituco property pertaining to filing fees paid to the Ministry of Energy and Mines due to Lara not being successful in acquiring certain of the land for which it had previously applied.

Huacamaya, Rafa and Other Properties

During the year ended December 31, 2018, the Company acquired the Huacamaya, Rafa, Emilia, Racquia, Pampas, Tayacoto and Pacollo exploration licenses in Peru by incurring staking costs and paying filing fees totaling $92,054 (2017 - $Nil). These properties are in the early-stage of exploration and not subject to any third-party agreements. After acquiring the Huacamaya property, the Company decided not to proceed with the license due to access issues and wrote off total capitalized costs of $36,052.

Corina Gold Project

In July 2014, the Company signed a definitive agreement with Compañía Minera Ares S.A.C. (“Ares”), a subsidiary of London-listed Hochschild Mining plc. who operates mines nearby, granting an option to purchase its Corina Gold Project in southern Peru. Upon the signing of the agreement, Lara received US$150,000. 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. In October 2016, Ares signed a community agreement in support of their application to conduct drilling on the property and made a cash payment of US$150,000 to Lara. Ares has 36 months from the date of the community agreement, to complete the acquisition.

Grace Gold Project

In November 2013, Lara signed an option agreement with Apumayo S.A.C. (“Apumayo”), a subsidiary of Peruvian gold miner Aruntani S.A.C., for Apumayo 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. Apumayo secured a drill permit and completed some drilling in 2017. However, the option agreement with Apumayo expired in December 2017, and Lara now holds a 100% interest in the property.

8. EXPLORATION AND EVALUATION ASSETS (continued)

Strategic Alliances - Kiwanda Alliances

In October 2014, Lara and Kiwanda agreed to sell all the rights and options held under their Phosphate Alliance and Coal Alliance, to Bifox Limited ("Bifox") formerly Phillips River Mining Limited. In November 2016, Bifox signed definitive option agreements with the underlying owners of the phosphate rock mine and processing facilities at Bahia Inglesa in northern Chile and has assumed control and management of the day to day operations. Bifox will seek to list its shares on the Australian Securities Exchange ("ASX") in 2019, which will also mark the completion of the transaction with Lara for the sale of all its direct project rights under the Kiwanda alliances to Bifox in exchange for reimbursement of US$570,000 of project expenses, issue to Lara of vendor shares in Bifox and a 2% production royalty.

(Expressed in Canadian dollars)

9. EXPLORATION EXPENDITURES

During the year ended December 31, 2018, the Company incurred the following exploration expenditures, which were expensed as incurred:

	Planalto Brazil	Damolandia Brazil	General and other Brazil	Antamaray Peru	Buenos Aires Peru	Puituco Peru	Rafa Peru	General and other Peru	Total
Administrative	$ 91,740	$ 51,761	$ 31,632	$ 2,288	$ 1,832	$ 1,979	$ 781	$ 37,175	$ 219,188
Assays	46,618	2,311	6,137	474	172	2,875	545	368	59,500
Drilling	141,504	-	-	-	-	-	-	-	141,504
Field costs	54,614	2,328	11,299	-	-	-	206	4,658	73,105
Property maintenance	13,685	1,147	51,319	23,058	19,053	1,172	3,169	11,813	124,416
Salaries and consultants	107,486	144,793	41,241	3,731	3,732	20,128	17,418	130,297	468,826
Telecommunications	3,408	230	83	-	-	-	-	1,462	5,183
Travel and related costs	17,111	-	564	130	209	-	2,628	2,481	23,123
Total expenditures	476,166	202,570	142,275	29,681	24,998	26,154	24,747	188,254	1,114,845
Recoveries	(70,368)	-	-	-	-	-	-	-	(70,368)
Net expenditures	$ 405,798	$ 202,570	$ 142,275	$ 29,681	$ 24,998	$ 26,154	$ 24,747	$ 188,254	$ 1,044,477

Expenditures incurred on general and other projects in Brazil and Peru are for activity where Lara does not hold title and for properties held by Lara but for which the expenditures were nominal.

During the year ended December 31, 2018, the Company received an option payment of US$150,000 ($197,854) from Capstone for the Planalto Copper Project. The payment was credited against capitalized property costs (Note 8) and exploration expenses.

(Expressed in Canadian dollars)

9. EXPLORATION EXPENDITURES (continued)

During the year ended December 31, 2017, the Company incurred the following exploration expenditures, which were expensed as incurred:

	Curionópolis Brazil	General and other Brazil	Buenos Aires Peru	Antamaray Peru	General and other Peru	General and other North America	Total
Administrative	$ 43,694	$ 217,333	$ 151	$ 454	$ 18,616	$ -	$ 280,248
Assays	7,620	18,170	-	1,508	2,883	-	30,181
Drilling	-	43,944	-	-	-	-	43,944
Field costs	2,869	79,145	-	-	13,429	-	95,443
Property maintenance	2,638	87,589	-	-	11,867	-	102,094
Salaries / consultants	95,214	191,966	2,737	7,266	122,994	49,346	469,523
Telecommunications	-	3,540	-	-	4,065	-	7,605
Travel	13,740	24,369	-	-	13,271	20,856	72,236
Total expenditures	165,775	666,056	2,888	9,228	187,125	70,202	1,101,274
Recoveries	(51,086)	-	-	-	-	-	(51,086)
Net expenditures	$ 114,689	$ 666,056	$ 2,888	$ 9,228	$ 187,125	$ 70,202	$ 1,050,188

Expenditures incurred on general and other projects in Brazil and Peru are for activity where Lara does not hold title and for properties held by Lara but for which the expenditures were nominal.

During the year ended December 31, 2017, Tessarema advanced $18,000 to Lara with respect to the Curionopolis property in Brazil and incurred $51,086 of exploration expenditures.

(Expressed in Canadian dollars)

9. INVESTMENT IN ASSOCIATED COMPANY AND JOINT VENTURES

Kiwanda Coal Alliance

The Company owns a 50% interest in Andean Coal. The Company had a net investment in Andean Coal of $306,735 at December 31, 2017. During the year ended December 31, 2018, the Company made an additional investment of $1,234. The Company's share of the net loss for the year ended December 31, 2018 was $176,726 which decreased its net investment in Andean Coal to $131,243.

Kiwanda Phosphate Alliance

The Company owns a 50% interest in Kiwanda. At December 31, 2017, the Company's net investment in Kiwanda was $nil and there were accumulated unrecognized losses of $365,224. During the year ended December 31, 2018, the Company made an additional investment of $1,131. The Company's share of the net loss for the year ended December 31, 2018, was $130,311 and recognized a loss of $1,131, resulting in accumulated unrecognized losses of $494,404 and a net investment in Kiwanda of $nil at December 31, 2018.

Minas Dixon S.A.

The Company owns a 45% interest in Minas. At December 31, 2017, Lara had accumulated unrecognized losses of $51,330 in Minas with a net investment of $nil. During the year ended December 31, 2018, the Company made an additional investment of $86,424. The Company's share of the net loss for the year ended December 31, 2018, was $72,672 and recognized a prior year loss of $13,752 for total loss of $86,424. At December 31, 2018, the Company's net investment in Minas was $nil and the accumulated unrecognized losses were $37,578.

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

	Minas	Kiwanda	Andean Coal	Total
Investment in associated company and joint ventures				
Net investment at December 31, 2016	$	$ -	$ 371,704	$ 371,704
Additional investment for the year ended December 31, 2017	98,269	1,022	1,127	100,418
Share of net loss	(66,802)	(1,022)	(66,096)	(133,920)
Previous losses recognized	(31,467)	-	-	(31,467)
Net investment at December 31, 2017	-	-	306,735	306,735
Additional investment for the year ended December 31, 2018	86,424	1,131	1,234	88,789
Share of net loss	(72,672)	(1,131)	(176,726)	(250,529)
Previous losses recognized	(13,752)	-	-	(13,752)
Net investment at December 31, 2018	$ -	$ -	$ 131,243	$ 131,243

(Expressed in Canadian dollars)

10. INVESTMENT IN ASSOCIATED COMPANY AND JOINT VENTURES (continued)

As at December 31, 2018, the associated company and joint ventures' aggregate assets, aggregate liabilities and net losses are as follows:

	Minas	Kiwanda	Andean Coal
Current assets	$ 19,690	$ 139,152	$ -
Non-current assets	309	1,154,666	59,196
Current liabilities	(66,134)	(6,013)	-
Loss for the year	(161,493)	(260,622)	(353,451)
The Company's ownership percentage	45%	50%	50%
The Company's share of loss for the year	(72,672)	(130,311)	(176,726)

(Expressed in Canadian dollars)

11. LONG-TERM INVESTMENTS

The Company has the following long-term investments in the common shares of companies that trade on the TSX Venture Exchange ("TSX-V") and the Australia Securities Exchange ("ASX"). The common shares held at December 31, 2017 were classified as FVTOCI financial assets upon the adoption of IFRS 9 – Financial Instruments on January 1, 2018. During the year ended December 31, 2018, the Company sold all of its shares in: Aguia Resources Ltd., Mt. Ridley Mines Inc., Redzone Resources Ltd., Reservoir Capital Corp and Valor Resources Limited ("Valor") for proceeds of $503,452 and recognized a change in fair value of these assets of $481,750 in the statement of comprehensive income. Lara exercised its options in Valor and designated the shares received as FVTPL financial assets, as the options were exercised with the intention of selling the Valor shares received in order to generate more working capital. The Company recognized a reduction in fair value of $696,182 upon the exercise of the Valor options and a recognized a further reduction in fair value of $36,536 on the FVTPL Valor shares. The total reduction in fair value recognized on FVTPL investments for the year ended December 31, 2018 was $732,718.

	Fair value December 31, 2016	Additions	Disposals	Change in fair value	Fair value December 31, 2017
FVTOCI investments					
Aguia Resources Ltd.	$ 106,463	$ -	$ -	$ 4,581	$ 111,044
Mt. Ridley Mines Inc.	25,071	-	-	2,358	27,429
Redzone Resources Ltd.	8,925	-	-	13,175	22,100
Reservoir Capital Corp.	-	2,199	-	(400)	1,799
Valor Resources Limited	232,093	-	-	590,737	822,830
	372,552	2,199	-	610,451	985,202
FVTPL investments					
Valor Resources Limited - options	178,940	-	-	517,242	696,182
Total	$ 551,492	$ 2,199	$ -	$ 1,127,693	$ 1,681,384

(Expressed in Canadian dollars)

11. LONG-TERM INVESTMENTS (continued)

	Fair value December 31, 2017	Additions	Disposals	Change in fair value	Fair value December 31, 2018
FVTOCI investments					
Aguia Resources Ltd.	$ 111,044	$ -	$ (49,498)	$ (61,546)	$ -
Mt. Ridley Mines Inc.	27,429	-	(5,234)	(22,195)	-
Redzone Resources Ltd.	22,100	-	(17,657)	(4,443)	-
Reservoir Capital Corp.	1,799	-	(1,059)	(740)	-
Valor Resources Limited	822,830	-	(430,004)	(392,826)	-
	985,202	-	(503,452)	(481,750)	-
FVTPL investments					
Valor Resources Limited - options	696,182	-	-	(696,182)	-
Valor Resources Limited - shares	-	151,184	-	(36,536)	114,648
	696,182	151,184	_	(732,718)	114,648
Total	$ 1,681,384	$ 151,184	$ (503,452)	$ (1,214,468)	$ 114,648

(Expressed in Canadian dollars)

12. EQUITY

Authorized

As at December 31, 2018, the authorized share capital of the Company was an unlimited number of common shares without par value.

Stock Options

The changes in stock options outstanding are as follows:

	Number of Options		Weighted Average Exercise Price
Balance as at December 31, 2016	1,795,000	$	0.64
Granted	1,645,000		0.76
Cancelled/expired	(575,000)		(1.20)
Balance as at December 31, 2017	2,865,000		0.60
Granted	350,000		0.72
Exercised	(80,000)		(0.25)
Expired / cancelled	(30,000)		(0.76)
Balance as at December 31, 2018	3,105,000	$	0.62

The following table summarizes the stock options outstanding and exercisable at December 31, 2018:

Date Granted	Expiry Date	Exercise Price	Number Outstanding	Number Exercisable
April 22, 2014	April 22, 2019	$0.86	50,000	50,000
July 24, 2015	July 24, 2020	$0.25	910,000	910,000
May 27, 2016	May 27, 2021	$0.86	100,000	100,000
November 18, 2016	November 18, 2021	$1.02	80,000	80,000
November 21, 2017	November 21, 2022	$0.76	1,615,000	1,615,000
March 14, 2018	March 14, 2023	$0.72	350,000	350,000
Total			3,105,000	3,105,000

At December 31, 2018, the weighted average remaining life of the outstanding stock options was 3.11 years (December 31, 2017 – 3.95 years). During the year ended December 31, 2018, 80,000 options were exercised with an exercise price of $0.25 and 30,000 options with an exercise price of $0.76 were cancelled or expired.

On January 31, 2017, 575,000 options with an exercise price of $1.20 expired unexercised.

(Expressed in Canadian dollars)

12. EQUITY (continued)

Share Purchase Warrants

The changes in share purchase warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance as at December 31, 2016 and 2017	1,203,125	$ 1.85
Expired	(1,203,125)	(1.85)
Balance as at December 31, 2017 and 2018	-	$ -

The Company issued 1,203,125 common share purchase warrants with an exercise price of $1.85 per warrant pursuant to its private placement in August 2016. These warrants expired unexercised in the year ending December 31, 2018.

Share-based Payments

During the year ended December 31, 2018, the Company granted 250,000 bonus shares to senior management and 83,332 of these were issued on March 22, 2018 with a fair market value of $59,999. The Company recorded an increase in share capital of $59,999 and accrued $72,164 of share-based payments for vesting bonus shares. These shares vest as follows: one-third on the grant date; one-third on the first anniversary of the grant date; and one-third on the second anniversary of the grant date.

On March 14, 2018, the Company granted 350,000 stock options to senior management at an option price of $0.72 that were fully vested on the grant date. The options were valued using the Black-Scholes option pricing model based on the following assumptions: an option life of 5 years, a volatility of 69% and a risk-free interest rate of 1.99%. The Company recorded stock-based compensation expense of $146,757 for these options. The fair value of each option was $0.42.

13. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the 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 mainly located in Brazil, and all exploration expenditures are incurred in Brazil and Peru.

(Expressed in Canadian dollars)

14. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Year ended December 31, 2018	Year ended December 31, 2017
Management fees	$ 353,313	$ 336,250
Share-based payments	278,915	401,358
	$ 632,228	$ 737,608

Amounts due to related parties are included in accounts payable and accrued liabilities and as at December 31, 2018 and December 31, 2017 were as follows:

Related party assets and liabilities	Service or items	December 31, 2018	December 31, 2017
Amounts due to:			
Chief Executive Officer	Fees and expenses	$ 80,000	$ 593
Vice President, Corporate Development	Fees and expenses	33,600	2,499
Vice President, Exploration	Fees and expenses	93,683	11,759

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2018, the Company recorded the following non-cash transactions:

- share-based payments of $278,920; and
- a write-off of exploration and evaluation assets of $36,052.

During the year ended December 31, 2017, the Company recorded the following non-cash transactions:

- gain on sale of a subsidiary of $1,033,047;
- a write-off of exploration and evaluation assets of $12,810; and
- share-based payments of $717,943.

16. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Management

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

16. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Credit Risk

The Company's cash and cash equivalents are mainly held through large Canadian or US financial institutions and, as at December 31, 2018, 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, and Peru. 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, 2018, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars, Brazilian reals and Peruvian sols:

	US dollars	Brazilian reals	Peruvian sols	Total
Cash and cash equivalents	523,219	40,588	14,819	
Receivables	2,200	58,191	38,471	
Accounts payable and accrued liabilities	(29)	(321,809)	(23,093)	
Net exposure	525,390	(223,031)	30,197	
Canadian dollar equivalent	$716,107	($78,314)	$12,141	$649,934

Based on the above net exposures as at December 31, 2018 and assuming 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 $65,000 (2017 - $113,800) to the net profit or 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 because 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. The Company holds FVTPL investments which have market risk and which have mostly declined in value since acquisition, due to the weak equity markets for exploration companies. The Company's cash and cash equivalents are held mainly in interest-bearing bank accounts.

(Expressed in Canadian dollars)

16. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

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 and cash equivalents. 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. Management believes that the Company may have to raise additional capital to fund its operations for the next twelve months.

17. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

	December 31, 2018			
Financial instruments	FVTPL	FVTOCI	Amortized cost	Total
Cash and cash equivalents	$ -	$ -	$ 780,247	$ 780,247
Restricted cash equivalents	-	-	57,500	57,500
Receivables	-	-	16,623	16,623
Long-term investments	114,648	-	-	114,648
Accounts payable and accrued liabilities	-	-	(322,766)	(322,766)
	$ 114,648	$ -	$ 531,604	$ 646,252

(Expressed in Canadian dollars)

17. FINANCIAL INSTRUMENTS (continued)

	December 31, 2017			
Financial instruments	FVTPL	FVTOCI	Amortized cost	Total
Cash and cash equivalents	$ -	$ -	$ 1,532,332	$ 1,532,332
Short-term investments	-	-	551,616	551,616
Restricted cash equivalents	-	-	57,500	57,500
Receivables	-	-	16,529	16,529
Long-term Investments	696,182	985,202	-	1,681,384
Accounts payable and accrued liabilities	-	-	(98,844)	(98,844)
	$ 696,182	$ 985,202	$ 2,059,133	$ 3,740,517

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

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Long-term investments	$ 114,648	$ -	$ -	$ 114,648
December 31, 2017				
Long-term investments	$ 985,202	$ 696,182	$ -	$ 1,681,384

(Expressed in Canadian dollars)

18. INCOME TAXES

As at December 31, 2018 and 2017, no deferred tax assets are recognized on the following temporary differences as it is not probable that sufficient future taxable profit will be available to realize such assets:

	December 31 2018	December 31 2017
Mineral properties	$ 3,222,642	$ 3,172,886
Tax loss carry-forwards	3,624,948	4,424,420
Other	598,990	501,339
Unrecognized deferred tax assets	$ 7,446,580	$ 8,098,645

The Company has non-capital losses of approximately $11.7 million (2017 - $11.0 million) and $1.5 million (2017 - $5.1 million) to reduce future income tax in Canada and Peru, respectively. The losses in Canada expire between 2025 and 2038 and, in Peru, between 2019 and 2023.

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rate of 27.0% (2017 – 26.0%) as follows:

	December 31 2018	December 31 2017
Pre-tax loss for the year	$ (3,079,196)	$ (1,177,546)
Expected income tax recovery	(831,383)	(306,161)
Non-deductible items	1,474,159	535,838
Deferred income tax assets not recognized	(642,776)	(229,677)
Income tax recovery	$ -	$ -

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

19. EVENTS AFTER THE REPORTING DATE

<u>Planalto Copper Project</u>

On February 4, 2019, the Company announced that it had signed a Definitive Agreement (“the Agreement”) granting Capstone, an exclusive option to earn up to a 70% interest in the Company’s Planalto Copper Project (“the Project”). Under the terms of the Agreement, Capstone will pay Lara US$200,000 following receipt of a drill permit for the Project and will then invest a minimum of US$1.2 million within a year of signing the Agreement, to drill test extensions of the mineralization identified at the Homestead target and scout drill other targets on the property. Capstone can earn an initial 49% interest by investing US$5 million by the third anniversary of the Agreement and can then elect to purchase an additional 2% interest in the Project by paying Lara US$ 400,000 and committing to fund a Feasibility Study by the fifth anniversary, to reach a 61% interest. The third and final phase will comprise Capstone electing to finance, build and operate a commercial mining operation to the benefit of Lara 30% and Capstone 70%, with Lara repaying its pro-rata share of the financing

19. EVENTS AFTER THE REPORTING DATE (continued)

out of cash flow. Lara will hold certain buy back rights to reacquire a majority interest in the Project should Capstone decide to discontinue investing.

Private Placement
In March 2019, the Company completed a private placement, raising $2,000,000 by issuing 4,000,000 units at $0.50 per unit. Each unit consisted of one common share and half of one non-transferable, common share purchase warrant. Each full warrant will entitle the holder to purchase an additional common share at $0.70 for two years. If, after four months from closing, the closing price of the Company's shares on the TSX Venture Exchange is $1.00 or greater for any period of 10 consecutive trading days, the Company may, by news release issued within five trading days thereof, accelerate the expiry of the warrants to the 21st trading day after such news release. The Company paid finder's fees in respect of subscriptions from investors introduced by a finder.

Share Issuances
On March 22, 2019, the Company issued 83,334 bonus shares with a grant date value of $60,000 to senior management.

In March 2019, the Company issued 100,000 common shares to the CEO & President and the Vice-President Corporate Development to settle consulting fees owed to them in the amount of $50,000.