



**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**Six Months Ended June 30, 2021, and 2020**

**(Expressed in Canadian dollars)**

#### **NOTICE TO READER**

The accompanying condensed consolidated interim financial statements of Lara Exploration Ltd. for the six months ended June 30, 2021, and 2020 (“Interim Financial Statements”) have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. The Company’s external auditors have not reviewed these Interim Financial Statements.

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

	June 30, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,548,507	\$ 1,606,871
Receivables	34,325	36,104
Prepays and deposits	34,828	39,596
<b>Total current assets</b>	<b>1,617,660</b>	<b>1,682,571</b>
<b>Non-current assets</b>		
Restricted cash equivalents	57,500	57,500
Equipment	26,973	30,172
Exploration and evaluation assets (Note 3)	46,964	84,289
Long-term investments (Note 6)	178,668	375,068
<b>Total non-current assets</b>	<b>310,105</b>	<b>547,029</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,927,765</b>	<b>\$ 2,229,600</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 170,855	\$ 108,435
Advances from joint venture partners	263,304	198,742
<b>TOTAL LIABILITIES</b>	<b>434,159</b>	<b>307,177</b>
Deferred income tax liability	11,203	11,203
<b>TOTAL LIABILITIES</b>	<b>445,362</b>	<b>318,380</b>
<b>EQUITY</b>		
Share capital (Note 7)	26,806,296	26,806,296
Share-based payments reserve	9,811,222	9,794,586
Deficit	(35,135,115)	(34,689,662)
<b>TOTAL EQUITY</b>	<b>1,482,403</b>	<b>1,911,220</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,927,765</b>	<b>\$ 2,229,600</b>

**Nature of operations and ability to continue as a going concern (Note 1)****Event after the reporting date (Note 11)**

These Interim Financial Statements were authorized for issuance by the Board of Directors on August 24, 2021.

**Approved by the Board of Directors**"Miles Thompson" , Director"Christopher Jones" , Director

The accompanying notes are an integral part of these Interim Financial Statements .

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Three months ended		Six months ended	
	June 30		June 30	
	2021	2020	2021	2020
<b>EXPLORATION EXPENDITURES</b> (Note 4)	\$ 155,346	\$ 83,581	\$ 224,194	\$ 169,599
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Office, rent and administrative services	87,002	79,986	167,759	163,025
Depreciation	394	393	788	787
Management fees	30,840	30,000	61,840	60,000
Professional fees	42,376	26,657	63,371	39,617
Shareholder communication and investor relations	8,942	27,315	13,792	46,851
Share-based payments (Note 7)	16,636	-	16,636	5,918
Transfer agent and regulatory fees	13,058	20,870	37,517	32,910
Travel	-	-	-	5,588
Total general and administrative expenses	199,248	185,221	361,703	354,696
	(354,594)	(268,802)	(585,897)	(524,295)
Equity loss on investment in associated companies and joint ventures (Note 5)	-	(32,875)	-	(32,875)
Foreign exchange gain (loss)	17,430	(99,991)	(12,664)	1,424
Other income (Note 3)	59,492	469,492	132,283	572,539
Gain on sale of investments	-	-	72,539	-
Write-off of exploration and evaluation assets	(51,714)	-	(51,714)	-
Change in fair value of FVTPL investments	-	40,239	-	(107,515)
	25,208	376,865	140,444	433,573
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>(329,386)</b>	<b>108,063</b>	<b>(445,453)</b>	<b>(90,722)</b>
<b>Earnings (Loss) per common share</b>				
Earnings (loss) per common share – basic and diluted	\$ 0.01	\$ 0.00	\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	39,627,708	38,864,386	39,627,708	38,697,334

The accompanying notes are an integral part of these Interim Financial Statements .

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

	Six Months Ended June 30,	
	2021	2020
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (445,453)	\$ (90,722)
<b>Items not affecting cash:</b>		
Depreciation	788	787
Depreciation included in exploration expenditures	7,206	7,526
Gain on sale of investments	(72,539)	-
Change in fair value of long-term investments	-	107,515
Loss on settlement of debt	-	-
Unrealized foreign exchange loss	31,986	(3,719)
Share-based payments	16,636	5,918
Write-off of exploration and evaluation assets	51,714	-
<b>Changes in non-cash working capital items:</b>		
Receivables	1,779	42,288
Prepays and deposits	4,768	7,697
Accounts payable and accrued liabilities	62,420	(79,432)
Advance from JV partners	64,562	(87,581)
	(276,133)	(89,723)
<b>INVESTING ACTIVITIES</b>		
Acquisition of exploration and evaluation assets	(14,389)	(68,207)
Cash received on sale of investments	268,939	-
Purchase of equipment	(4,795)	-
	249,755	(68,207)
<b>FINANCING ACTIVITIES</b>		
Stock options exercised	-	152,500
	-	152,500
Effect of exchange rate changes on cash and cash equivalents	(31,986)	3,719
<b>Change in cash</b>	(58,364)	(1,711)
<b>Cash, beginning of year</b>	1,606,871	2,070,758
<b>Cash, end of period</b>	\$ 1,548,507	\$ 2,069,047
<b>Supplementary cash flow information</b>		
Interest received	\$ 105	\$ 368

The accompanying notes are an integral part of these 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	Deficit	Total
<b>Balance as at December 31, 2020</b>	39,627,608	\$ 26,806,296	\$ -	\$ 9,794,586	\$ (34,689,662)	\$ 1,911,220
Accruals for share-based payments	-	-	-	16,636	-	16,636
Net loss for the period	-	-	-	-	(445,453)	(445,453)
<b>Balance as at June 30, 2021</b>	39,327,608	\$ 26,806,296	\$ -	\$ 9,811,222	\$ (35,135,115)	\$ 1,482,403
<b>Balance as at December 31, 2019</b>	38,634,274	\$ 26,433,900	\$ 54,082	\$ 9,238,600	\$ (33,709,121)	\$ 2,017,461
Exercise of stock options	610,000	152,500	-	-	-	152,500
Reclassification of share-based payments						
Reclassify reserve upon exercise of options	-	56,909	-	(56,909)	-	-
Accruals for share-based payments	-	-	5,918	-	-	5,918
Bonus shares issued	83,334	60,000	(60,000)	-	-	-
Net income for the period	-	-	-	-	(90,722)	(90,722)
<b>Balance as at June 30, 2020</b>	39,327,608	\$ 26,703,309	\$ -	\$ 9,181,691	\$ (33,799,843)	\$ 2,085,157

The accompanying notes are an integral part of these Interim Financial Statements .

## **LARA EXPLORATION LTD.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

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### **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 Interim Financial Statements 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 required permits to mine and future profitable production or proceeds from the disposition of these assets.

These 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 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 Interim 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 may need to raise additional capital resources to fund its exploration programs and administrative expenses for the next twelve months.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

#### **Statement of Compliance**

These Interim 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”).

## LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

### 2. BASIS OF PRESENTATION (continued)

#### Basis of Presentation

These Interim Financial Statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited consolidated financial statements for the year ended December 31, 2020, except that they do not include all the information required for the annual consolidated financial statements. These Interim Financial Statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2020.

#### Basis of Consolidation

These Interim Financial Statements comprise the accounts of the parent company, and its subsidiaries, after the elimination of all material intercompany balances and transactions.

### 3. EXPLORATION AND EVALUATION ASSETS

	December 31, 2020	Additions	Recoveries	Write down	June 30, 2021
<b>Brazil</b>					
Planalto Copper	\$ -	\$ 62,955	\$ (62,955)	\$ -	\$ -
<b>Peru</b>					
Puituco	26,240	-	-	-	26,240
Buenos Aires	20,086	-	-	(20,086)	-
Rafa	31,628	-	-	(31,628)	-
Emilia	6,335	-	-	-	6,335
Kenita	-	12,413	-	-	12,413
Mantaro	-	1,976	-	-	1,976
Total	\$ 84,289	\$ 77,344	\$ (62,955)	\$ (51,714)	\$ 46,964

#### Brazil

##### *Celesta Copper Project (formerly Curionópolis Copper-Gold Project)*

In October 2013, the Company signed an option agreement with Tessarema Resources Inc. ("Tessarema"), whereby Tessarema could earn a 100% interest in the Curionópolis Copper Project. Tessarema could 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% NSR royalty to Lara. Tessarema was not able to reach commercial production on the property in 2017 by the contractual deadline. Lara and Tessarema agreed to revise the terms of the agreement. In June 2017, Lara completed the sale of the Curionópolis Copper Project to Tessarema and received \$983,250 (US\$750,000), a 5% carried interest in the project company, Mineração Maravaia Ltda., and a 2% NSR royalty on the Maravaia project and the other mineral rights covered by the original Curionópolis Option Agreement with Tessarema. The Maravaia Mine did not reach commercial production by November 26, 2018, according to the revised terms of the agreement, and Tessarema now is obliged to make an additional US\$1,000,000 payment to Lara.



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Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2021 and 2020

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### 3. EXPLORATION AND EVALUATION ASSETS (continued)

During the year ended December 31, 2019, the Company entered into an amended joint venture agreement (“the JV Agreement”) with Tessarema, and a new local partner North Extração de Minério Ltda. (“North”), to consolidate ownership of the processing plant and surface rights access agreements (held by North). The Curionópolis mineral rights (held by Lara) and all other rights to the Maravaia Copper Project held by Tessarema, were consolidated into a new venture denominated Celesta Mineração S.A. (“Celesta”) in order to move the project into production as soon as possible. As part of a previously agreed life-of-mine concentrates Offtake Agreement, Ocean Partners UK Ltd. (“Ocean Partners”), agreed to lend Celesta US\$2.6m to fund upgrades to the plant, pre-stripping, mine infrastructure, and working capital.

Tessarema was in default under the terms of its original option agreement with Lara because it failed to achieve commercial production in November of 2018 and recognised that it owed Lara a US\$1,000,000 late penalty fee. As part of the amended JV Agreement, it was agreed that Celesta will assume and pay the penalty fee to Lara in ten monthly payments of US\$100,000 the first of which was paid on November 28, 2019. During the year ended December 31, 2020, Lara received a second instalment of US\$100,000.

Until the mine is operating efficiently it is unlikely that further penalty payments will be received and accordingly no receivable has been recorded. Lara also owns 5% of the shares of Celesta, which have a fair value of \$Nil, without the obligation to contribute to the start-up costs. Lara continues to hold a 2% NSR on any production.

#### ***Planalto Copper Project***

In February 2013 (amended in June 2016 and June 2019), the Company entered into an option agreement to acquire a 100% interest in the Planalto Copper Project from Brazil Americas Investments & Participation Mineracao LLC (“Brazil Americas”), by paying US\$500,000 (US\$250,000 paid as at December 31, 2020) in cash and a 2% NSR royalty. Lara has the right to acquire 50% of the NSR royalty for US\$2,000,000. In June 2020, the Company made a scheduled option payment of US\$50,000. Subsequent to the year ended December 31, 2020, Lara made an option payment of US\$50,000, and must make an additional and final payment of US\$200,000 by September 30, 2021, to complete the acquisition of the Planalto Project.

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.

On February 4, 2019, the Company announced that it had signed a definitive agreement (“the Agreement”) (amended on June 20, 2019 and February 21, 2021) granting Capstone, an exclusive option to earn up to a 70% interest in the Company’s Planalto Copper Project. Capstone has paid Lara a further US\$200,000 following receipt of a drill permit for the Project and assumed the costs of the underlying agreement. Capstone can earn an initial 49% interest by paying the Company US\$5,000,000 by the third anniversary of the Agreement and can then elect to purchase an additional 2% interest in the Planalto Copper 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 out of production cash flow. Lara will hold certain buy back rights to reacquire a majority interest in the Project should Capstone decide to discontinue investing.

## **LARA EXPLORATION LTD.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

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### **3. EXPLORATION AND EVALUATION ASSETS (continued)**

Lara elected to accelerate the drill program at the Planalto Copper Project and, on May 28, 2019, filed a “Final Exploration Report” (“RFP”) with the National Agency of Mining (“ANM”) in Brazil. On June 20, 2019, Lara and Capstone amended their Agreement such that the initial three-year earn-in period for Capstone to acquire a 49% interest in the Planalto Copper Project, now starts from the date of approval of the RFP and the 2019 drill program as fulfilling Capstone’s first year work commitment. Capstone transferred US\$500,000 to Lara upon signing of the amendment to cover the payment to Lara due upon receipt of the permit to drill, the payment due to the underlying vendor and a partial reimbursement of Lara’s costs. The RFP was approved on October 31, 2019, and Capstone reimbursed Lara the additional costs of US\$600,000. The remaining conditions of the agreement are unchanged, and exploration work resumed in November 2019. Capstone advanced a further US\$400,000 to Lara in November 2019 to fund ongoing project expenditures. For the year ended December 31, 2020, Capstone advanced \$1,120,625 for work on the Planalto property.

In August 2020, Lara entered into an option agreement to acquire mining rights adjacent to the original Planalto Project from Mineracao Zaspir Ltda. (“Zaspir”). Lara agreed to acquire a 100% interest in these mining rights for payments totaling US\$250,000. The first US\$25,000 was paid upon signing the option agreement and Lara will pay a further US\$25,000 upon filing of the license transfer to Lara. Lara must pay an additional US\$100,000 on the first anniversary of application to transfer the mining rights. A second US\$100,000 payment must be made on the second anniversary of the application to transfer the mining rights. In addition to the cash purchase price, the Company will grant Zaspir a 2% NSR royalty on any production, which can be repurchased for US\$250,000 within 2 years of granting of the exploration license. After the two-year period has passed, one half of the royalty (1%) can be purchased for the same price.

In December 2020, the Company signed an option agreement with Mineração Tariana Ltda. (“Tariana”), a subsidiary of Anglo American do Brasil Ltda., to acquire an exploration licence adjacent to the Company’s Planalto Copper Project (“the Project”) in the Carajás Mineral Province of northern Brazil. The license will form part of the company’s staged earn-in agreement with Capstone Mining Corp.

Under the terms of the agreement the Company will make a payment of US\$50,000 upon the date of publication of the transfer of title by the Brazilian Mining Agency (“the ANM”) and payments of US\$50,000 on the first and second anniversaries of that date. The Company has committed to complete a minimum of 2,000 metres of diamond drilling together with resource and reserve studies by May 2022. The Company then has until the date of filing of the Final Exploration Report with the ANM to notify Tariana of its intention to exercise the option and put the project into production. The Company will pay a 1.25% NSR royalty to Tariana on production. If the project is not operating from July 31, 2026, at such date the Company will make advanced royalty payments of US\$50,000 per year for five years or until the start of production if that is sooner, which amounts are recoverable from 50% of the royalties payable to Tariana thereafter.

#### ***Cumaru Manganese Royalty***

On May 20, 2019, the Company signed a definitive agreement transferring all its rights and obligations for the Cumaru Manganese Project in northern Brazil, to local mining company Seven Mineração Limitada, in exchange for BRL 250,000 in cash (equivalent to approximately US\$60,975) and a royalty of US\$2/ton of ore taken from the property. The Company has received the first BRL 125,000 payment. The second payment was due on July 19, 2020, but is still outstanding, and accordingly no amount receivable has been recorded.

## LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

### 3. EXPLORATION AND EVALUATION ASSETS (continued)

#### Peru

##### *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., granting it an option to purchase Lara’s 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, (of which US\$650,000 has been paid to date), carrying out US\$2,000,000 in exploration (which has been completed), 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. In June 2020, Ares made a scheduled option payment of \$US350,000 to Lara. The payment was recorded as other income. The schedule for the remaining option payments is as follows:

	US\$
June 30, 2021	1,000,000
June 30, 2022	2,500,000
	3,500,000

##### **Kenita and Mantaro**

During the six months ended June 30, 2021, the Company incurred \$14,389 of acquisition costs on the Kenita and Mantaro licenses in Peru.

##### **Buenos Aires and Rafa Properties**

During the six months ended June 30, 2021, the Company decided that the exploration results on the Buenos Aires and Rafa properties were not encouraging enough to warrant further work and these properties were written off.

##### **Bifox Phosphate Project**

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. At December 31, 2020, Lara owns approximately 13% of Bifox, and upon relisting of the shares Bifox will be obligated to reimburse Lara for US\$570,000 of project expenses. Lara also holds a 2% production royalty that is triggered once the production rate exceeds 20,000 tonnes per annum. Lara’s Bifox shares were subject to an escrow agreement. On November 20, 2020, Bifox and Lara signed an escrow release notice whereby Bifox agreed to release Lara’s Bifox shares in exchange for Lara’s 50% interests in Andean and Kiwanda. As of that date, Lara no longer had an interest in either of those companies.

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Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

**3. EXPLORATION AND EVALUATION ASSETS (continued)*****Lara Copper Project***

In July 2020, the Company, with its partner, Global Battery Metals Ltd. (“GBM”), signed an option and royalty agreement for the sale of the Lara Copper Project (the “Project”) for US\$5,759,000 and a 1.5% NSR royalty, to Minsur S.A. (“Minsur”). The Project is owned 45% by Lara and 55% by GBM. Minsur retains the right to purchase a 0.25% NSR royalty for US\$2.5 million from each of Lara and GBM at any time before the commencement of commercial production. Under the terms of the agreement Lara and GBM have granted Minsur an exclusive option to acquire a 100% interest in the Project by making staged cash payments based on permitting milestones, as summarized in the table below:

<b>Milestone / Date</b>	<b>Option Payments (US\$)</b>
Upon registration of the agreement before a Public Notary	(received) 59,000
One year from registration of the agreement (Note 11)	200,000
Approval of environment study and start of work (“DIA-IA”)	200,000
One year from approval from the DIA-IA	300,000
Approval of semi-detailed environmental study (“EIA-SD”)	500,000
One year from the approval of EIA-SD	1,500,000
Upon transfer of title	3,000,000
<b>Total</b>	<b>5,759,000</b>

**Other Income and Expense**

The Company reported the following items as other income and expense for the six months ended June 30, 2021 and 2020:

	June 30, 2021	June 30, 2020
Celesta penalty payment	\$ -	\$ 115,218
Celesta royalty	94,123	-
Operator’s fee	42,358	-
Corina option payment	-	475,728
Other expense	(4,198)	(18,407)
	<b>\$ 132,283</b>	<b>\$ 572,539</b>

During the six months ended June 30, 2021, Lara received royalty payments of \$94,123 from Celesta, an operator’s fee on the Planalto Copper Project of \$42,358, and incurred other expenses of \$4,198 for net other income of \$132,283.

During the six months ended June 30, 2020, Lara received an option payment of \$475,728 for the Corina Property, a penalty payment of \$115,218 from Celesta and incurred other expenses of \$18,407 and reported net other income of \$572,539.

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

**4. EXPLORATION EXPENDITURES**

During the six months ended June 30, 2021, the Company incurred the following exploration expenditures, which were expensed as incurred:

	Planalto Brazil	General and other Brazil	General and other Peru	Total
Administrative	\$ 76,270	\$ 34,239	\$ 36,257	\$ 146,766
Assays	563	2,474	2,015	5,052
Field costs	47,290	9,023	1,991	58,304
Property maintenance	2,954	767	30,544	34,265
Salaries and consultants	176,018	35,542	67,386	278,946
Geophysics	68,259	-	-	68,259
Telecommunications	668	31	820	1,519
Travel and related costs	40,787	175	2,930	43,892
Total expenditures	412,809	82,251	141,943	637,003
Recoveries	(412,809)	-	-	(412,809)
Net expenditures	\$ -	\$ 82,251	\$ 141,943	\$ 224,194

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For the Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

**4. EXPLORATION EXPENDITURES (continued)**

During the six months ended June 30, 2020, the Company incurred the following exploration expenditures, which were expensed as incurred:

	Planalto Brazil	General and other Brazil	General and other Peru	Total
Administrative	\$ 8,944	\$ 75,004	\$ 12,250	\$ 96,198
Assays	57,442	-	-	57,442
Drilling	323,372	-	-	323,372
Field costs	65,453	-	716	66,169
Property maintenance	60	7,331	-	7,391
Salaries and consultants	278,535	42,054	31,864	352,453
Telecommunications	1,235	-	-	1,235
Travel and related costs	5,926	-	380	6,306
Total expenditures	740,967	124,389	45,210	910,566
Recoveries	(740,967)	-	-	(740,967)
Net expenditures	\$ -	\$ 124,389	\$ 45,210	\$ 169,599

## LARA EXPLORATION LTD.

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Notes to the Condensed Consolidated Interim Financial Statements

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### 5. INVESTMENT IN ASSOCIATED COMPANY

The Company has a 45% interest in Minas Dixon S.A. (“Minas”). The balance of investment in associated companies and joint ventures was \$Nil at December 31, 2020, and no further investments were made in the six months ended June 30, 2021. Therefore, the Company did not recognize its share of losses in Minas for the six months ended June 30, 2021 (2020 - \$Nil).

### 6. LONG-TERM INVESTMENTS

At December 31, 2020, the Company had an investment in the common shares of Valor Resources Limited, that trades on the Australia Securities Exchange (“ASX”). During the six months ended June 30, 2021 Lara sold this investment for proceeds of \$268,939 and recorded a gain on sale of \$72,539. In the year ended December 31, 2019, the Company signed an agreement with Estrella Gold SAC and received 5% of its shares valued at \$1,041. Estrella is a private mineral exploration company. In the year ended December 31, 2020, the Company purchased a right from Sereno Minerals (BVI) Ltd., a private mineral exploration company, to 5% of the proceeds of two lawsuits in Brazil. Lara paid \$177,627 (US\$140,000) for the right. This investment has been valued at cost which is the best estimate of fair value.

	Fair value December 31, 2020	Change in fair value	Disposals	Fair value June 30, 2021
<u>FVTPL investments</u>				
Valor Resources Limited	\$ 196,400	\$ -	\$ (196,400)	\$ -
Estrella Gold SAC	1,041	-	-	1,041
Sereno Minerals (BVI) Ltd.	177,627	-	-	177,627
Total	\$ 375,068	\$ -	\$ (196,400)	\$ 178,668

### 7. EQUITY

#### Authorized

As at June 30, 2021, the authorized share capital of the Company was an unlimited number of common shares without par value.

#### Share Issuances

#### Stock Options

The changes to the number of stock options outstanding for the six months ended June 30, 2021 were as follows:

	Number of Options	Weighted Average Exercise Price
<b>Balance as at December 31, 2020</b>	3,750,000	\$ 0.75
Issued	50,000	\$ 0.70
Expired	(100,000)	\$ (0.86)
<b>Balance as at June 30, 2021</b>	3,700,000	\$ 0.75

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**7. EQUITY (continued)**

The following table summarizes the stock options outstanding and exercisable at June 30, 2021:

Date Granted	Expiry Date	Exercise Price	Number Outstanding	Number Exercisable
November 18, 2016	November 18, 2021	\$1.02	80,000	80,000
November 21, 2017	November 21, 2022	\$0.76	1,455,000	1,455,000
March 14, 2018	March 14, 2023	\$0.72	350,000	350,000
November 13, 2019	November 13, 2024	\$0.50	200,000	200,000
September 1, 2020	September 1, 2025	\$0.76	1,565,000	1,565,000
June 28, 2021	June 28, 2026	\$0.70	50,000	50,000
Total			3,700,000	3,700,000

At June 30, 2021, the weighted average remaining life of the outstanding stock options was 2.70 years.

During the six months ended June 30, 2021, the Company granted 50,000 (2020 – Nil) stock options to a consultant. The options were fully vested on the grant date. The Company recorded \$16,636 of stock-based compensation expense. The options were valued using the Black-Scholes option pricing model with the following assumptions: a grant date fair value of \$0.70; a risk-free interest rate of 0.98%; an expected life of 5 years; an expected volatility of 55% and a dividend yield of 0%.

**8. 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 in Brazil and Peru, equipment is located mainly in Brazil, and all the exploration expenditures are incurred in Brazil and Peru.



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**9. RELATED PARTY TRANSACTIONS AND BALANCES**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, which includes the directors. The aggregate value of transactions and outstanding balances relating to key management personnel are as follows:

	Six months ended	
	June 30, 2021	June 30, 2020
Management fees – CEO	\$ 61,840	\$ 60,000
Exploration fees and expenses – VP Exploration	84,568	87,052
<b>Office, rent and administrative services</b>		
Seabord Services Corp.	106,800	106,800
VP Corporate Development	24,000	24,000
Share-based payments	-	5,918
	<b>\$ 277,208</b>	<b>\$ 283,770</b>

Seabord Services Corp. is related to Lara because it provides key management personnel services to Lara.

Amounts due to and from related parties as at June 30, 2021, and December 31, 2020, are as follows:

Related party assets and liabilities	Service or items	June 30 2021	December 31 2020
<b>Amounts due from (to):</b>			
Chief Executive Officer	Fees and expenses	\$ -	\$ (946)
Vice President, Corporate Development	Fees and expenses	(12,097)	(2,677)
Vice President, Exploration	Fees and expenses	(14,306)	-
Seabord Services Corp.	Deposit	10,000	10,000

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**10. FINANCIAL INSTRUMENTS**

The Company classified its financial instruments as follows:

June 30, 2021	FVTPL	Amortized Cost	Total
Cash and cash equivalents	\$ -	\$ 1,548,507	\$ 1,548,507
Restricted cash equivalents	-	57,500	57,500
Receivables	-	34,325	34,325
Long-term investments	178,668	-	178,668
Accounts payable and accrued liabilities	-	(170,855)	(170,855)
Advances from JV Partners	-	(263,304)	(263,304)
	\$ 178,668	\$ 1,206,173	\$ 1,384,841

  

December 31, 2020	FVTPL	Amortized Cost	Total
Cash and cash equivalents	\$ -	\$ 1,606,871	\$ 1,606,871
Restricted cash equivalents	-	57,500	57,500
Receivables	-	36,104	36,104
Long-term investments	375,068	-	375,068
Accounts payable and accrued liabilities	-	(108,435)	(108,435)
Advances from JV Partners	-	(198,742)	(198,742)
	\$ 375,068	\$ 1,393,298	\$ 1,768,366

**Fair Value**

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- 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).
- 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. The Company's level 3 investment is a right to a 5% interest in the proceeds from two lawsuits. Cost is the best measure of fair value. 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
<b>June 30, 2021</b>				
Long-term investments	\$ 1,041	\$ -	\$ 177,627	\$ 178,668
<b>December 31, 2020</b>				
Long-term investments	\$ 197,441	\$ -	\$ 177,627	\$ 375,068

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**11. EVENTS AFTER THE REPORTING DATE**

Subsequent to June 30, 2021, Minsur made a scheduled option payment of US\$200,000 as part of an option and royalty agreement for the Lara Copper Project signed in July 2020 (Note 3).