



LARA EXPLORATION LTD.
(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Three Months Ended March 31, 2017 AND 2016
(Expressed in Canadian dollars)

NOTICE TO READER

The accompanying condensed consolidated interim financial statements of Lara Exploration Ltd. for the three months ended March 31, 2017 and 2016 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

	March 31, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	\$ 2,581,679	\$ 3,103,765
Receivables (Note 4)	30,786	68,512
Prepays and deposits	82,171	87,059
Total current assets	2,694,636	3,259,336
Non-current assets		
Restricted cash equivalents (Note 5)	46,000	46,000
Equipment (Note 6)	13,836	14,804
Exploration and evaluation assets (Note 7)	163,526	163,526
Investment in associated companies and joint ventures (Note 9)	373,793	371,704
Long-term investments (Note 10)	1,060,500	551,492
Total non-current assets	1,657,655	1,147,526
TOTAL ASSETS	\$ 4,352,291	\$ 4,406,862
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 93,104	\$ 110,990
Advances from JV partners	76,162	102,572
TOTAL LIABILITIES	169,266	213,562
EQUITY		
Share capital (Note 11)	24,226,886	24,226,886
Commitment to issue shares	49,243	44,558
Share-based payments reserve	8,349,246	8,349,246
Accumulated other comprehensive income (Note 10)	369,578	85,055
Deficit	(28,811,928)	(28,512,445)
TOTAL EQUITY	4,183,025	4,193,300
TOTAL LIABILITIES AND EQUITY	\$ 4,352,291	\$ 4,406,862

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

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on May 18, 2017.

Approved by the Board of Directors

"Miles Thompson" , Director

"Christopher Jones" , Director

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

LARA EXPLORATION LTD.

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Condensed Consolidated Interim Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Three Months Ended March 31,	
	2017	2016
EXPLORATION EXPENDITURES (Note 8)	\$ 280,955	\$ 277,088
GENERAL AND ADMINISTRATIVE EXPENSES		
Depreciation (Note 6)	173	178
Management fees	30,000	30,000
Office, rent and administrative services	89,994	83,589
Professional fees	16,563	12,769
Shareholder communication and investor relations	33,653	15,847
Share-based payments (Note 11 and 13)	4,685	13,158
Transfer agent and regulatory fees	29,327	31,882
Travel	1,152	920
Total general and administrative expenses	205,547	188,343
	(486,502)	(465,431)
Equity loss on investment in associated companies and joint ventures (Note 9)	(42,153)	(25,831)
Foreign exchange gain (loss)	(1,842)	(19,379)
Interest income	6,529	1,011
Option revenue received (Note 8)	-	693,975
Other income	-	4,699
Change in fair value of derivative financial instruments (Note 10)	224,485	-
Write-off of exploration and evaluation assets	-	(35,401)
	187,019	619,074
Net income (loss) for the period	\$ (299,483)	\$ 153,643
OTHER COMPREHENSIVE INCOME (LOSS)		
Change in fair value of AFS financial instruments (Note 10)	284,523	(42,061)
Comprehensive income (loss) for the period	\$ (14,960)	\$ 111,582
Loss per common share		
Earnings (loss) loss per common share – basic	\$ 0.01	\$ 0.00
Earnings (loss) loss per common share – diluted	\$ 0.01	\$ 0.00
Weighted average number of common shares outstanding – basic	34,212,607	31,287,640
Weighted average number of common shares outstanding – diluted	34,212,607	31,594,923

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

LARA EXPLORATION LTD.

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Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

	Three Months Ended March 31,	
	2017	2016
OPERATING ACTIVITIES		
Net income (loss) for the period	\$ (299,483)	\$ 153,643
Items not affecting cash:		
Depreciation	173	178
Depreciation included in exploration expenditures	795	3,249
Equity loss on investment in associated companies and joint ventures	42,153	25,831
Change in fair value of derivative financial instruments	(224,485)	-
Write-off of exploration and evaluation assets	-	35,401
Share-based payments	4,685	13,158
Changes in non-cash working capital items:		
Receivables	37,726	(2,055)
Prepays and deposits	4,888	21,018
Accounts payable and accrued liabilities	(17,887)	(41,282)
Advances from joint venture partners	(26,410)	-
	(477,845)	209,141
INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	-	(23,001)
Investment in associated companies and joint ventures	(44,241)	(25,135)
Purchase of equipment	-	-
Proceeds on disposal of equipment	-	-
	(44,241)	(48,136)
FINANCING ACTIVITIES		
Exercise of options	-	1,375
	-	1,375
Change in cash and cash equivalents	(522,086)	162,380
Cash and cash equivalents, beginning of year	3,103,765	1,017,726
Cash and cash equivalents, end of year	\$ 2,581,679	\$ 1,180,106
Supplementary cash flow information		
Interest received	\$ 6,529	\$ 1,011

Supplemental disclosure with respect to cash flows (Note 14)

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

LARA EXPLORATION LTD.

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Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian dollars)

	Number of shares	Share capital	Commitment to issue shares	Share-based payments reserve	Accumulated other comprehensive income (loss)	Deficit	Total
Balance as at December 31, 2016	34,212,607	\$ 24,226,886	\$ 44,558	\$ 8,349,246	\$ 85,055	\$ (28,512,445)	\$ 4,193,300
Exercise of stock options	-	-	-	-	-	-	-
Reclassification of share-based payment reserve on exercise of options	-	-	-	-	-	-	-
Share-based payments	-	-	4,685	-	-	-	4,685
Change in fair value of AFS investments	-	-	-	-	284,523	-	284,523
Net loss for the period	-	-	-	-	-	(299,483)	(299,483)
Balance as at March 31, 2017	34,212,607	\$ 24,226,886	\$ 49,243	\$ 8,349,246	\$ 369,578	\$ (28,811,928)	\$ 4,183,025
Balance as at December 31, 2015	31,286,357	\$ 20,980,656	\$ 63,533	\$ 8,339,445	\$ 137,281	\$ (27,874,104)	\$ 1,646,811
Exercise of stock options	5,500	1,375	-	-	-	-	1,375
Reclassification of share-based payment reserve on exercise of options	-	513	-	(513)	-	-	-
Share-based payments	-	-	13,158	-	-	-	13,158
Change in fair value of AFS investments	-	-	-	-	(42,061)	-	(42,061)
Net loss for the period	-	-	-	-	-	153,643	153,643
Balance as at March 31, 2016	31,291,857	\$ 20,982,544	\$ 76,691	\$ 8,338,932	\$ 95,220	\$ (27,720,461)	\$ 1,772,926

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

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Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2017 and 2016

(Expressed in Canadian dollars)

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

Lara Exploration Ltd. (the “Company” or “Lara”) was incorporated under the British Columbia Business Corporations Act on March 31, 2003. The Company’s principal business activities are the acquisition, exploration and development of mineral properties in South America, currently with exploration and evaluation properties in Brazil, Peru, Colombia and Chile. These condensed consolidated interim financial statements of the Company as at and for the three months ended March 31, 2017 and 2016 are comprised of the Company and its subsidiaries. The Company’s common shares are listed on the TSX Venture Exchange under the symbol of “LRA”.

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

These condensed consolidated interim financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from the carrying values shown and these condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. The Company’s continuing operations and the ability of the Company to meet mineral property and other commitments are dependent upon the ability of the Company to continue to raise additional equity or debt financing and to seek joint venture partners. At the date of these condensed consolidated interim financial statements, the Company has not identified a known body of commercial grade mineral on any of its properties. At March 31, 2017, 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.

2. BASIS OF PRESENTATION

Basis of Measurement and Presentation

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

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited financial statements for the year ended December 31, 2016, except that they do not include all the information required for the annual audited financial statements. These financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2016.

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2. BASIS OF PRESENTATION (continued)

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

Basis of Consolidation

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and deposits at bank earning interest at both fixed and floating rates based on daily bank deposit rates. The Company's short-term deposits are invested in guaranteed investment certificates ("GICs") with an interest rate of 1.2%.

	March 31, 2017	December 31, 2016
Cash	\$ 1,580,839	\$ 1,095,850
Short-term bank deposits	1,000,840	2,007,915
Cash and cash equivalents	\$ 2,581,679	\$ 3,103,765

4. RECEIVABLES

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

	March 31, 2017	December 31, 2016
Accounts receivable	\$ 23,846	\$ 62,022
GST receivable	6,940	6,490
Receivables	\$ 30,786	\$ 68,512

5. RESTRICTED CASH EQUIVALENTS

At March 31, 2017 and December 31, 2016, the Company classified \$46,000 as restricted cash equivalents. This amount is held as collateral for the Company's corporate credit cards.

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6. EQUIPMENT

	Computer equipment	Field equipment	Office equipment	Total
Cost				
December 31, 2016 and March 31, 2017	\$ 41,968	\$ 3,015	\$ 92,427	\$ 137,410
Accumulated depreciation				
December 31, 2016	40,970	921	80,715	122,606
Additions	130	76	762	968
March 31, 2017	41,100	997	81,477	123,574
Net book value				
December 31, 2016	\$ 998	\$ 2,094	\$ 11,712	\$ 14,804
March 31, 2017	\$ 868	\$ 2,018	\$ 10,950	\$ 13,836

Of the \$968 (2016 -\$3,427) of depreciation expense recognized during the three months ended March 31, 2017, \$795 (2016 - \$3,249) was included as exploration expenditures and \$173 (2016 - \$178) was recorded as depreciation on the statements of comprehensive loss.

7. EXPLORATION AND EVALUATION ASSETS

	March 31, 2017	December 31, 2016
Brazil		
Planalto Copper	\$ 55,449	\$ 55,449
Azul Tin	21,638	21,638
Damolândia	19,358	19,358
Serrita	12,810	12,810
Peru		
Antamaray	24,286	24,286
Puituco	10,447	10,447
Buenoz Aires	19,538	19,538
Total	\$ 163,526	\$ 163,526

Brazil***Curionópolis Copper-Gold Project***

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

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7. EXPLORATION AND EVALUATION ASSETS (continued)

for pilot mining and granting Lara a royalty of 5% on any pilot scale production. Tessarema can earn an additional 40% interest in the project (for a total of 100%) by paying Lara US\$750,000, and placing the project into commercial production at a minimum rate of 500 tonnes per day. If that milestone is achieved, the 5% pilot royalty would terminate and Lara would be granted a 2% production royalty. Construction work did not advance significantly in the quarter and the Company is in the process of negotiating an extension to the option agreement. Under the terms of the agreement, Tessarema must earn a 100% interest in the project or the property will be returned to Lara.

Curionópolis Iron Project

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

During the year ended December 31, 2015, the Company filed for arbitration with the Forum Arbitral do Rio de Janeiro (“FARJ”), over its Mineral Rights Transfer Agreement (“the Agreement”) with Vertical. Among the terms of the agreement, signed in May 2009, whereby Lara transferred its rights to the Curionópolis Iron Project to Vertical, were obligations for Vertical to make purchase payments and pay minimum royalties to the Company. Despite several renegotiations extending payment terms and repeated notifications Vertical has not made these payments. Lara has requested that the Arbitrators rule on the unpaid amounts, plus interest and fines, as defined by the Agreement. Vertical has contested the qualification of the FARJ and no progress has been made with the arbitration.

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\$50,000 paid to date) in cash and a 2% net smelter return (“NSR”) royalty. Lara has the right to acquire 50% of the NSR for US\$2,000,000. The original Planalto mineral licenses were cancelled by the Brazilian Department of Mines based on perceived deficiencies in the application paperwork. These deficiencies have been rectified and the licenses have been 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. Lara has signed a memorandum of understanding to option the Planalto Copper Project to Avanco Resources Ltd. subject to due diligence.

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7. EXPLORATION AND EVALUATION ASSETS (continued)

Liberdade Copper Project

In September 2010, the Company signed an agreement with a local subsidiary of a Chilean copper company, Codelco do Brasil Mineracao Ltda. (“Codelco”) for Codelco to earn an initial 51% interest in the Liberdade Copper Project by investing US\$3,300,000 in exploration which has been completed. Codelco at its election, can then earn a further 24% interest by sole-funding such additional exploration work as is necessary to define a minimum resource of at least 500,000 tonnes of copper equivalent, independently reported under NI 43-101 guidelines. Work on the project is currently suspended, pending the renewal of the exploration license by the Brazilian Department of Mines. The Brazilian Department of Mines (“DNPM”) has delayed analysis of the renewal, as Vale S.A. (“Vale”) has claimed to have a license dating back to 1986 that is still valid. Codelco has filed a lawsuit with the Federal Courts in Brasilia, against both the DNPM and Vale to nullify Vale’s old license and safeguard its rights under the Liberdade exploration license.

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. The vendor has amended the terms of the agreement to allow the Company to acquire the Azul Tin Project by making a payment of US\$700,000 by December 31, 2018.

Tocantins Gold Project

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

Damolândia Nickel Project

In February 2016, the Company entered into an agreement with BCV Consultoria e Projetos Ltda. (“BCV”), to acquire the Damolândia Nickel Project in central Brazil. Lara has agreed to make staged cash payments totalling US\$580,000. BCV will also be entitled to a 1% 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.

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7. EXPLORATION AND EVALUATION ASSETS (continued)

Serrita Gold Project

The Serrita Project comprises three exploration licenses, covering a wide area of artisanal workings. Lara has an option to acquire the Serrita Project by making staged cash and success-based bonus payments totalling up to US\$1,650,000 and paying a 1.25% NSR royalty on any production. Lara retains the right to purchase this royalty for a cash payment of US\$1,500,000. The Company has also agreed to pay a finder's fee of staged (mostly success-based) payments totalling US\$85,000. During the year ended December 31, 2016, the Company made its first option payment in the amount of \$12,810 (US\$10,000) which was capitalized to exploration and evaluation assets.

Peru

Corina Gold Project

In June 2014, the Company signed a binding Letter of Intent with Compañía Minera Ares S.A.C. ("Ares"), a subsidiary of London-listed Hochschild Mining plc. that operates mines nearby, granting an option to purchase its Corina Gold Project in southern Peru. Under the proposed terms, Ares can acquire the Corina property from Lara for staged cash payments totalling US\$4,150,000, carrying out US\$2,000,000 in exploration and paying a 2% NSR royalty on any future production. Lara and Ares signed a definitive agreement in July 2014 and Ares made the first cash payment of US\$150,000. Ares had up to 36 months to obtain a community access agreement, which would allow them to begin exploration. On obtaining this agreement Ares is required to pay the Company US\$150,000 and the 36 month option agreement will begin. In October 2016, Ares signed a community agreement in support of their application to conduct drilling on the property and made a further cash payment of US\$150,000 to Lara.

Grace Gold Project

In November 2013, Lara signed an option agreement with S.A.C., ("Apumayo") a subsidiary of Peruvian gold miner Aruntani S.A.C., 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. The timing of the payments to Lara and the work commitments are subject to securing community agreements and drilling permits from the Peruvian government. The option agreement with Apumayo has been extended to December 2017.

Other Properties

During the year ended December 31, 2016, the Company acquired the Antamaray, Puituco and Buenos Aires properties by staking claims and incurring costs of \$24,286, \$10,447 and \$19,538 respectively.

Minas Dixon - Lara Copper Project

Lara has a 45% interest in the Lara Copper Project. Lara retains a 1% NSR royalty on all production from the projects.

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7. EXPLORATION AND EVALUATION ASSETS (continued)

Strategic Alliances

Kiwanda Alliances

In 2011, Lara signed alliance agreements with Kiwanda Mines LLC to generate phosphate and coal opportunities. In October 2014, Lara and Kiwanda agreed to sell all the rights and options held under their Phosphate Alliance and Coal Alliance, to Phillips River Mining Limited ("Phillips River") as follows:

- a) Lara's 23.48% interest in central Colombian coal producer Carbhid S.A.
- b) The Coal Alliance's option to earn a 51% interest in Carbhid's Escalones mining rights.
- c) The Coal Alliance's option to earn a 100% interest in the Pelaya coal exploration rights in northern Colombia.
- d) The Phosphate Alliance's option to acquire a 100% interest in the Bifox phosphate mining rights in northern Chile.
- e) The Phosphate Alliance's 100% owned Ki phosphate exploration rights adjacent to the Bifox mining rights.

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

In November 2016, Phillips River signed definitive option agreements with the underlying owners of the Bifox phosphate rock mine and processing facilities at Bahia Inglesa in northern Chile and will assume management of the operations. Phillips River will seek to list its shares on the Australian Securities Exchange ("ASX") in 2017, 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 Phillips River in exchange for reimbursement of US\$570,000 project expenses, issue to Lara of vendor shares in Phillips River and the 2% production royalty.

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8. EXPLORATION EXPENDITURES

During the three months ended March 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	Total
Administrative	\$ 14,651	\$ 52,341	\$ -	\$ -	\$ 6,488	\$ 73,480
Assays	7,621	2,692	-	1,501	564	12,378
Field costs	908	16,798	-	-	3,454	21,160
Property maintenance	-	48,487	-	-	-	48,487
Salaries / consultants	41,313	48,437	2,725	7,234	46,594	146,303
Telecommunications	-	807	-	-	753	1,560
Travel	13,445	5,089	-	-	463	18,997
Total expenditures	77,938	174,651	2,725	8,735	58,316	322,365
Recoveries	(41,410)	-	-	-	-	(41,410)
Net expenditures	\$ 36,528	\$ 174,651	\$ 2,725	\$ 8,735	\$ 58,316	\$ 280,955

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8. EXPLORATION EXPENDITURES (continued)

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

	Curionópolis Brazil	Caninde Brazil	General and other Brazil	Grace Peru	General and other Peru	Total
Administrative	\$ 15,956	\$ -	\$ 79,683	\$ 3,276	\$ 29,106	\$ 128,021
Assays	555	-	20,599	-	-	21,154
Field costs	-	-	50,317	-	-	50,317
Property maintenance	10,148	-	12,545	-	-	22,693
Salaries / consultants	13,387	-	40,450	-	-	53,837
Telecommunications	-	-	110	-	-	110
Travel	-	-	8,626	-	-	8,626
Trenching	-	-	20,044	-	-	20,044
Total expenditures	40,046	-	232,374	3,276	29,106	304,802
Recoveries	(27,714)	-	-	-	-	(27,714)
Net expenditures	\$ 12,332	\$ -	\$ 232,374	\$ 3,276	\$ 29,106	\$ 277,088

Expenditures incurred on general and other projects in Brazil are for activity where Lara does not hold title. Expenditures incurred on general and other projects in Peru include costs incurred on a number of minor properties all of which were nominal.

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8. EXPLORATION EXPENDITURES (continued)

During the three months ended March 31, 2017, the Company received the aggregate option payments as follows:

	Gross options payments received				Recovery of exploration expenditures	Option revenue Total	Total
	Shares	Cash	Advances	Total			
Curionópolis, Brazil	\$ -	\$ -	\$ 15,000	\$ 15,000	\$ 41,410	\$ -	\$ 41,410
Total	\$ -	\$ -	\$ 15,000	\$ 15,000	\$ 41,410	\$ -	\$ 41,410

At December 31, 2016, Tessarema had unspent advances of \$102,572 with Lara with respect to the Curionopolis Copper Property. During the three months ended March 31, 2017, Tessarema advanced a further \$15,000 to Lara and incurred \$41,410 of expenditures, resulting in an outstanding balance of \$76,162 of advances from JV partners.

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

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

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9. INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES**Kiwanda Coal Alliance**

The Company owns a 50% interest in Andean Coal (BVI) Ltd. ("Andean Coal"). The Company had a net investment in Andean Coal of \$371,704 at December 31, 2016. During the three months ended March 31, 2017 the Company made an additional investment of \$1,128. The Company's share of the net gain for the three months ended March 31, 2017 was \$961 which increased its net investment in Andean Coal to \$373,793.

Kiwanda Phosphate Alliance

The Company owns a 50% interest in Kiwanda Alliance (BVI) Inc. ("Kiwanda BVI"). At December 31, 2016, the Company's net investment in Kiwanda was \$nil and there were accumulated unrecognized losses of \$319,256. During the three months ended March 31, 2016, the Company made an additional investment of \$1,022. The Company's share of the net loss for the period was \$8,955 and recognized a loss of \$1,022, resulting in an accumulated unrecognized loss of \$327,189 and a net investment in Kiwanda of \$nil at March 31, 2017.

Minas Dixon S.A.

The Company owns a 45% interest in Minas Dixon S.A. ("Minas"). At December 31, 2016 Lara had an accumulated unrecognized loss of \$82,797 in Minas with a net investment of \$nil. During the three months ended, the Company made an additional investment of \$42,091. The Company's share of the net income for the three months ended March 31, 2017 was \$11,628 and it recognized \$53,719 of previously unrecognized losses. At March 31, 2017 the Company's net investment in Minas was nil and there were \$29,078 of previously unrecognized losses.

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

	Minas	Kiwanda	Andean Coal	Total
<u>Investment in associated company</u>				
Net investment at December 31, 2016	\$ -	\$ -	\$ 371,704	\$ 371,704
Additional investment (recovery) for the three months ended March 31, 2017	42,091	1,022	1,128	44,241
Share of net (loss) income	11,628	(1,022)	961	11,567
Previous losses recognized	(53,719)	-	-	(53,719)
Net investment at March 31, 2017	\$ -	\$ -	\$ 373,793	\$ 373,793

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

As at March 31, 2017, the associated companies' and joint venture's aggregate assets, aggregate liabilities and net losses are as follows:

	Minas	Kiwanda	Andean Coal
Current assets	\$ 61,781	\$ 78,625	\$ -
Non-current assets	309	-	537,215
Current liabilities	(140,406)	(7,827)	-
Net income (loss) for the period	25,841	(17,909)	1,919
The Company's ownership percentage	45%	50%	50%
The Company's share of net income (loss) for the period	11,628	(8,955)	961

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

10. LONG-TERM INVESTMENTS

The Company has the following long-term investments in the common shares and options of private companies and of companies that trade on the TSX-V and the ASX. The common shares have been classified as AFS financial assets and are valued at their fair market values at March 31, 2017. The options held in Carajas are derivatives and are classified as FVTPL financial assets. They were fair valued at March 31, 2017 using a Black-Scholes option pricing model with the following assumptions: a stock price of Australian dollars ("AUD") AUD 0.012, an exercise price of AUD 0.004, an expected life of 1.71 years, a volatility of 150%, a risk free interest rate of 1.66% and a dividend yield of 0%.

	Fair value December 31, 2016	Change in Fair Value	Fair value March 31, 2017
<u>Available-for-sale Investments</u>			
Agua Resources Ltd.	\$ 106,463	\$ 26,598	\$ 133,061
Mt. Ridley Mines Inc.	25,071	(5,357)	19,714
Redzone Resources Ltd.	8,925	6,375	15,300
Valor Resources Limited	232,093	256,907	489,000
	372,552	284,523	657,075
<u>FVTPL Investments</u>			
Valor Resources Limited	178,940	224,485	403,425
Total	\$ 551,492	\$ 509,008	\$ 1,060,500

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11. EQUITY

Authorized

As at March 31, 2017, the authorized share capital of the Company was an unlimited number of common shares without par value.

Share Capital

During the three months ended March 31, 2017, there were no changes to the share capital.

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
Expired/cancelled	(575,000)	(1.20)
Balance as at March 31, 2017	1,220,000	\$ 0.38

The following table summarizes the stock options outstanding and exercisable at March 31, 2017:

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	990,000	1,464,500
May 25, 2016	May 25, 2021	0.86	100,000	100,000
November 18, 2016	November 18, 2021	1.02	80,000	80,000
Total			1,220,000	1,220,000

The weighted average remaining life of the outstanding stock options is 3.42 years. On January 31, 2017 575,000 options with an exercise price of \$1.20 expired unexercised.

Share-based Payments

During the three months ended March 31, 2017, the Company accrued \$4,685 of share-based payments for vesting bonus shares.

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12. SEGMENTED INFORMATION

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

13. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Three months ended	
	March 31, 2017	March 31, 2016
Management fees	\$ 82,861	\$ 83,042
Share-based payments	4,164	10,527
	\$ 87,025	\$ 93,569

Amounts due to and from related parties as of March 31, 2017 and December 31, 2016 are as follows:

Related party assets and liabilities	Service or items	March 31 2017	December 31 2016
Amounts due to:			
Chief Executive Officer	Fees and expenses	\$ -	\$ -
Vice President, Corporate Development	Expenses	962	-
Vice President, Exploration	Fees and expenses	19,336	14,512
Amounts due from:			
Reservoir Capital Corp. (<i>common director</i>)	Expense recovery	1,199	1,199
Chief Executive Officer	Expense recovery	-	100

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the three months ended March 31, 2017, the Company did not make any payments for interest or taxes.

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15. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Management

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

Credit Risk

The Company's cash and cash equivalents are mainly held through large Canadian or US financial institutions and, as at March 31, 2017, are mainly held in interest-bearing accounts; accordingly, credit risk is minimized. The Company assesses the collectability of amounts owing from partners on their mineral properties and on its loans receivable and records allowances for non-collection based on management's assessment of specific accounts.

Currency Risk

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

As at March 31, 2017, 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	354,939	143,113	29,267	
Receivables	15,700	19,112	8,947	
Accounts payable and accrued liabilities	(29)	(38,389)	(3,512)	
Net exposure	370,610	123,836	34,702	
Canadian dollar equivalent	\$493,960	52,401	\$ 14,051	\$ 560,412

Based on the above net exposures as at March 31, 2017 and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the above foreign currencies would result in an increase/ decrease of approximately \$56,000 to the net loss.

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15. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)***Market and Interest Rate Risk***

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

Liquidity Risk

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

Management of Capital

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

16. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

Financial instruments	March 31, 2017			
	Financial instruments at FVTPL	Available-for-sale investments	Loans and receivables	Other financial liabilities
Cash and cash equivalents	\$ -	\$ -	\$ 2,581,679	\$ -
Restricted cash equivalents	-	-	46,000	-
Receivables	-	-	23,846	-
Long-term investments	403,425	657,075	-	-
Accounts payable and accrued liabilities	-	-	-	(93,104)
Advance from joint venture partners	-	-	-	(76,162)
	\$ 402,425	\$ 657,075	\$ 2,651,525	\$ (169,266)

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16. FINANCIAL INSTRUMENTS (continued)

Financial instruments	December 31, 2016			
	Financial instruments at FVTPL	Available-for-sale investments	Loans and receivables	Other financial liabilities
Cash and cash equivalents	\$ -	\$ -	\$ 3,103,765	\$ -
Restricted cash equivalents	-	-	46,000	-
Receivables	-	-	62,022	-
Long-term investments	178,940	372,552	-	-
Accounts payable and accrued liabilities	-	-	-	(110,990)
Advance from joint venture partners	-	-	-	(102,572)
	\$ 178,940	\$ 372,552	\$ 3,211,787	\$ (213,562)

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.

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

	Level 1	Level 2	Level 3	Total
March 31, 2017				
Long-term investments	\$ 403,425	\$ 657,075	\$ -	\$ 1,060,500
December 31, 2016				
Long-term investments	\$ 372,552	\$ 178,940	\$ -	\$ 551,492