



**LARA EXPLORATION LTD.**  
(An Exploration Stage Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Six Months Ended June 30, 2017 AND 2016**  
(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, 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)

	June 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,071,485	\$ 3,103,765
Receivables	31,371	68,512
Prepays and deposits	34,614	87,059
<b>Total current assets</b>	<b>3,137,470</b>	<b>3,259,336</b>
<b>Non-current assets</b>		
Restricted cash equivalents	46,000	46,000
Equipment	68,428	14,804
Exploration and evaluation assets (Note 3)	150,716	163,526
Investment in associated companies and joint ventures (Note 5)	376,857	371,704
Long-term investments (Note 6)	767,894	551,492
<b>Total non-current assets</b>	<b>1,409,895</b>	<b>1,147,526</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,547,365</b>	<b>\$ 4,406,862</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 115,654	\$ 110,990
Advances from JV partners (Notes 3 & 4)	-	102,572
<b>TOTAL LIABILITIES</b>	<b>115,654</b>	<b>213,562</b>
<b>EQUITY</b>		
Share capital (Note 7)	24,226,886	24,226,886
Commitment to issue shares (Note 7)	53,980	44,558
Share-based payments reserve	8,349,246	8,349,246
Accumulated other comprehensive income	203,440	85,055
Deficit	(28,401,841)	(28,512,445)
<b>TOTAL EQUITY</b>	<b>4,431,711</b>	<b>4,193,300</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 4,547,365</b>	<b>\$ 4,406,862</b>

**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 August 29, 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.**

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(Expressed in Canadian dollars)

	Three months ended		Six months ended	
	June 30		June 30	
	2017	2016	2017	2016
<b>EXPLORATION EXPENDITURES</b> (Note 4)	\$ 214,296	\$ 117,835	\$ 495,251	\$ 394,923
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Administrative services	86,820	87,492	176,814	171,081
Depreciation	173	173	346	351
Management and directors' fees	30,000	30,000	60,000	60,000
Professional fees	35,462	28,164	52,025	40,933
Investor relations and shareholder communication	28,844	10,206	62,497	26,053
Share-based payments (Note 7)	4,737	58,498	9,422	71,656
Transfer agent and filing fees	20,523	13,265	49,850	45,147
Travel and related costs	9,097	58	10,249	978
	215,656	227,856	421,203	416,199
Loss before other items	(429,952)	(345,691)	(916,454)	(811,122)
<b>OTHER INCOME (EXPENSES)</b>				
Change in fair value of derivative instruments (Note 6)	(126,468)	-	98,017	-
Equity in loss of associated companies (Note 5)	(29,218)	(38,378)	(71,371)	(64,209)
Foreign exchange gain (loss)	(29,524)	(70,040)	(31,366)	(89,419)
Gain on sale of subsidiaries	1,033,047	-	1,033,047	-
Interest income	5,012	383	11,541	1,394
Option payments received	-	-	-	693,975
Other income	-	-	-	4,699
Write-off of exploration and evaluation assets (Note 3)	(12,810)	-	(12,810)	(35,401)
	840,039	(108,035)	1,027,058	511,039
<b>Net income (loss) for the period</b>	410,087	(453,726)	110,604	(300,083)
<b>Other comprehensive income (loss)</b>				
Net income (loss) for the period	\$ 410,087	\$ (453,726)	\$ 110,604	\$ (300,083)
<b>Items that may be reclassified to profit or loss</b>				
Change in fair value of investments (Note 6)	(166,138)	52,057	118,385	9,996
Comprehensive income (loss)	\$ 243,949	\$ (401,669)	\$ 228,989	\$ (290,087)
Basic and diluted income (loss) per common share	\$ 0.01	\$ (0.01)	\$ 0.01	\$ (0.01)
Weighted average number of common shares outstanding	34,212,607	31,371,220	34,212,607	31,329,423

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

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

	Six Months Ended June 30,	
	2017	2016
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ 110,604	\$ (300,083)
<b>Items not affecting cash:</b>		
Depreciation	346	351
Depreciation included in exploration expenditures	2,604	8,940
Equity loss on investment in associated companies and joint ventures	71,371	64,209
Change in fair value of derivative financial instruments	(98,017)	-
Gain on sale of a subsidiary	(1,033,047)	-
Write-off of exploration and evaluation assets	12,810	35,401
Share-based payments	9,422	71,656
<b>Changes in non-cash working capital items:</b>		
Receivables	(5,833)	(7,046)
Prepays and deposits	52,445	24,299
Accounts payable and accrued liabilities	30,022	62,835
Advances from joint venture partners	(33,086)	-
	(880,359)	(39,438)
<b>INVESTING ACTIVITIES</b>		
Acquisition of exploration and evaluation assets	-	(42,359)
Advance from JV partners	-	42,283
Purchase of equipment	(58,517)	(343)
Proceeds from sale of subsidiaries	983,120	-
Investment in associated companies and joint ventures	(76,524)	(56,900)
	848,079	(57,319)
<b>FINANCING ACTIVITIES</b>		
Exercise of options	-	68,750
	-	68,750
<b>Change in cash and cash equivalents</b>	(32,280)	(28,007)
<b>Cash and cash equivalents, beginning of year</b>	3,103,765	1,017,726
<b>Cash and cash equivalents, end of year</b>	\$ 3,071,485	\$ 989,719
<b>Supplementary cash flow information</b>		
Interest received	\$ 11,541	1,394

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

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian dollars)

	Number of shares	Share capital	Commitment to issue shares	Share-based payments reserve	Accumulated other comprehensive income (loss)	Deficit	Total
<b>Balance as at December 31, 2016</b>	34,212,607	\$ 24,226,886	\$ 44,558	\$ 8,349,246	\$ 85,055	\$ (28,512,445)	\$ 4,193,300
Share-based payments	-	-	9,422	-	-	-	9,422
Change in fair value of AFS investments	-	-	-	-	118,385	-	118,385
Net income for the period	-	-	-	-	-	110,604	110,604
<b>Balance as at June 30, 2017</b>	34,212,607	\$ 24,226,886	\$ 53,980	\$ 8,349,246	\$ 203,440	\$ (28,401,841)	\$ 4,431,711
<b>Balance as at December 31, 2015</b>	31,286,357	\$ 20,980,656 68,75	\$ 63,533	\$ 8,339,445	\$ 137,281	\$ (27,874,104)	\$ 1,646,811
Exercise of stock options	275,000	0	-	-	-	-	68,750
Reclassification of share-based payment reserve on exercise of options	-	25,656	-	(25,656)	-	-	-
Share-based payments	-	-	26,316	45,340	-	-	71,656
Change in fair value of AFS investments	-	-	-	-	9,996	-	9,996
Net loss for the period	-	-	-	-	-	(300,083)	(300,083)
<b>Balance as at June 30, 2016</b>	31,561,357	\$ 21,075,062	\$ 89,849	\$ 8,359,129	\$ 147,277	\$ (28,174,187)	\$ 1,497,130

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

## **LARA EXPLORATION LTD.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2017 and 2016

(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 condensed consolidated interim financial statements of the Company as at and for the six months ended June 30, 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 June 30, 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.

## LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2017 and 2016

(Expressed in Canadian dollars)

### 2. BASIS OF PRESENTATION (continued)

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as available-for-sale (“AFS”) and fair value through profit or loss (“FVTPL”), which are stated at their fair value. 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. EXPLORATION AND EVALUATION ASSETS

	June 30, 2017	December 31, 2016
<b>Brazil</b>		
Planalto Copper	\$ 55,449	\$ 55,449
Azul Tin	21,638	21,638
Serrita	-	12,810
Damolândia	19,358	19,358
<b>Peru</b>		
Antamaray	24,286	24,286
Puituco	10,447	10,447
Buenos Aires	19,538	19,538
Total	\$ 150,716	\$ 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. 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% NSR royalty to Lara. Tessarema was not able to reach commercial production on the property in 2017 by the contractual deadline. Subsequently 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, Mineracao 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. If Maravaia Mine does not reach commercial production by November 26, 2018, Tessarema must make an additional US\$1,000,000 payment to Lara. Tessarema completed the acquisition of the project by acquiring two subsidiaries from Lara, Carajas (BVI) Ltd. and Maravaia Mineracao Ltda. and the Company recorded again on sale as follows:



## LARA EXPLORATION LTD.

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Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2017 and 2016

(Expressed in Canadian dollars)

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

Assets and Liabilities Held by Former Subsidiaries	Amount
Cash	\$ 130
Receivables	42,974
Equipment	1,943
Payables	(25,358)
Advances from JV partners	(69,486)
Net liability held by former subsidiaries	49,797
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 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.

#### ***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 signed a memorandum of understanding to option the Planalto Copper Project to Avanco Resources Ltd. subject to due diligence. Avanco completed electromagnetic surveys over two of the soil geochemical anomalies on the property and elected not to proceed with its option to acquire a 75% interest from Lara.

#### ***Serrita***

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 quarter ended June 30, 2017.

## **LARA EXPLORATION LTD.**

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(Expressed in Canadian dollars)

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### **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. who 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. 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 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.

#### **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 Phillips River Mining Limited ("Phillips River"). In November 2016, Phillips River signed definitive option agreements with the underlying owners of the Bifox phosphate rock mine and processing facilities at Bahía 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 of project expenses, issue to Lara of vendor shares in Phillips River and a 2% production royalty.

**LARA EXPLORATION LTD.**

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Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2017 and 2016

(Expressed in Canadian dollars)

**4. EXPLORATION EXPENDITURES**

During the six months ended June 30, 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	\$ 24,838	\$ 90,016	\$ -	\$ -	\$ 12,111	\$ 126,965
Assays	7,621	5,334	-	1,555	2,638	17,148
Field costs	2,869	40,135	-	-	6,652	49,656
Property maintenance	2,638	48,816	-	-	12,237	63,691
Salaries / consultants	65,760	99,672	2,821	7,490	82,296	258,039
Telecommunications	-	1,448	-	-	1,616	3,064
Travel	13,740	7,423	-	-	6,611	27,774
Total expenditures	117,466	292,844	2,821	9,045	124,161	546,337
Recoveries	(51,086)	-	-	-	-	(51,086)
Net expenditures	\$ 66,380	\$ 292,844	\$ 2,821	\$ 9,045	\$ 124,161	\$ 495,251

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2017 and 2016

(Expressed in Canadian dollars)

**4. EXPLORATION EXPENDITURES (continued)**

During the six months ended June 30, 2016, the Company incurred the following exploration expenditures, which were expensed as incurred:

	Curionópolis Brazil	General and other Brazil	Grace Peru	Corina Peru	Picha Peru	Sami Peru	General and other Peru	Total
Administrative	\$ 37,638	\$ 129,664	\$ 3,535	\$ -	\$ 3,045	\$ 68	\$ 9,133	\$ 183,083
Assays	2,565	-	-	-	-	-	-	2,565
Field costs	1,162	24,107	-	-	-	-	10,169	35,438
Property maintenance	10,377	27,271	-	-	33,721	11,496	840	83,705
Salaries / consultants	48,133	83,890	-	393	11,418	-	7,012	150,846
Telecommunications	-	981	-	-	-	-	1,512	2,493
Travel	180	12,323	-	-	-	-	8,491	20,994
Total expenditures	100,055	278,236	3,535	393	48,184	11,564	37,157	479,124
Recoveries	(36,017)	-	-	-	(48,184)	-	-	(84,201)
Net expenditures	\$ 64,038	\$ 278,236	\$ 3,535	\$ 393	\$ -	\$ 11,564	\$ 37,157	\$ 394,923

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.

**LARA EXPLORATION LTD.**

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Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2017 and 2016

(Expressed in Canadian dollars)

**4. EXPLORATION EXPENDITURES (continued)**

During the six months ended June 30, 2017, the Company received the aggregate option payments as follows:

At December 31, 2016, Tessarema had unspent advances of \$102,572 with Lara with respect to the Curionópolis Copper Property. During the six months ended June 30, 2017, Tessarema advanced a further \$18,000 to Lara and incurred \$51,086 of expenditures.

	Gross options payments received				Recovery of exploration expenditure	Advance from JV partners	Option revenue received	Total
	Shares	Cash	Advances	Total				
Curionópolis, Brazil	\$ -	\$ -	\$ 18,000	\$ -	\$ 51,086	\$ -	\$ -	\$ 51,086
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,000</b>	<b>\$ -</b>	<b>\$ 51,086</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 51,086</b>

During the six months ended June 30, 2016, the Company received the aggregate option payments as follows:

	Gross options payments received				Recovery of exploration expenditure	Advance from JV partners	Option revenue received	Total
	Shares	Cash	Advances	Total				
Curionópolis, Brazil	\$ -	\$ 693,975	\$ 78,300	\$ 772,275	\$ 36,017	\$ 42,283	\$ 693,975	\$ 772,275
Picha, Peru – Maxy Gold	-	48,184	-	48,184	48,184	-	-	48,184
<b>Total</b>	<b>\$ -</b>	<b>\$ 742,159</b>	<b>\$ 78,300</b>	<b>\$ 820,459</b>	<b>\$ 84,201</b>	<b>\$ 42,283</b>	<b>\$ 693,975</b>	<b>\$ 820,459</b>

## LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2017 and 2016

(Expressed in Canadian dollars)

### 5. INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES

The Company has a 45% interest in Minas Dixon S.A. (“Minas”); a 50% interest in Andean Coal (BVI) Ltd. (“Andean Coal”) and a 50% interest in Kiwanda Alliance (BVI) Inc. (“Kiwanda”). 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 six months ended June 30, 2017	74,375	1,022	1,127	76,524
Share of net (loss) income	3,930	(1,022)	4,026	6,934
Previous losses recognized	(78,305)	-	-	(78,305)
Net investment at June 30, 2017	\$ -	\$ -	\$ 376,857	\$ 376,857

### 6. 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 June 30, 2017. The options held in Valor Resources Ltd. are derivatives and are classified as FVTPL financial assets. They were fair valued at June 30, 2017 using a Black-Scholes option pricing model with the following assumptions: a stock price of Australian dollars (“AUD”) AUD 0.009, an exercise price of AUD 0.004, an expected life of 1.46 years, a volatility of 150%, a risk-free interest rate of 1.60% and a dividend yield of 0%.

	Fair value December 31, 2016	Change in Fair Value	Fair value June 30, 2017
<u>Available-for-sale Investments</u>			
Agua Resources Ltd.	\$ 106,463	\$ 4,076	\$ 110,539
Mt. Ridley Mines Inc.	25,071	(14,571)	10,500
Redzone Resources Ltd.	8,925	2,125	11,050
Valor Resources Limited	232,093	126,755	358,848
	372,552	118,385	490,937
<u>FVTPL Investments</u>			
Valor Resources Limited	178,940	98,017	276,957
Total	\$ 551,492	\$ 216,402	\$ 767,894

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(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2017 and 2016

(Expressed in Canadian dollars)

### 7. EQUITY

#### Authorized

As at June 30, 2017, the authorized share capital of the Company was an unlimited number of common shares without par value.

#### Share Capital

During the six months ended June 30, 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
<b>Balance as at December 31, 2016</b>	1,795,000	\$ 0.64
Expired/cancelled	(575,000)	(1.20)
<b>Balance as at June 30, 2017</b>	1,220,000	\$ 0.38

The following table summarizes the stock options outstanding and exercisable at June 30, 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	990,000
May 27, 2016	May 27, 2021	0.86	100,000	100,000
November 18, 2016	November 18, 2021	1.02	80,000	80,000
Total			1,220,000	1,220,000

The weighted average remaining life of the outstanding stock options is 3.17 years. On January 31, 2017 575,000 options with an exercise price of \$1.20 expired unexercised.

#### Share-based Payments

During the six months ended June 30, 2017, the Company accrued \$9,422 of share-based payments for vesting bonus shares with the offsetting amount being credited to commitment to issue shares. On August 28, 2017, 75,001 bonus shares vested.

## LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2017 and 2016

(Expressed in Canadian dollars)

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

### 9. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Six months ended	
	June 30, 2017	June 30, 2016
Salaries, benefits and directors' fees	\$ 167,193	\$ 167,822
Share-based payments	8,375	66,394
	\$ 175,568	\$ 234,216

Amounts due to and from related parties as at June 30, 2017 and December 31, 2016 are as follows:

Related party assets and liabilities	Service or items	June 30, 2017	December 31, 2016
Amounts due to:			
Vice President, Corporate Development	Expenses	\$ 884	\$ -
Vice President, Exploration	Fees and expenses	13,819	14,512
Amounts due from:			
Reservoir Capital Corp. ( <i>common director</i> )	Expense recovery	1,199	1,199
Chief Executive Officer	Expense recovery	-	100



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**10. FINANCIAL INSTRUMENTS**

The Company classified its financial instruments as follows:

Financial instruments	June 30, 2017			
	Financial instruments at FVTPL	Available-for-sale investments	Loans and receivables	Other financial liabilities
Cash and cash equivalents	\$ -	\$ -	\$ 3,071,485	\$ -
Restricted cash equivalents	-	-	46,000	-
Receivables	-	-	31,371	-
Long-term investments	276,957	490,937	-	-
Accounts payable and accrued liabilities	-	-	-	(115,654)
	\$ 276,957	\$ 490,937	\$ 3,148,856	\$ (115,654)

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:

- 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).

**LARA EXPLORATION LTD.**

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Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2017 and 2016

(Expressed in Canadian dollars)

**10. FINANCIAL INSTRUMENTS** (continued)

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
<b>June 30, 2017</b>				
Long-term investments	\$ 490,937	\$ 276,957	\$ -	\$ 767,894
<b>December 31, 2016</b>				
Long-term investments	\$ 372,552	\$ 178,940	\$ -	\$ 551,492