



LARA EXPLORATION LTD.
(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Nine Months Ended September 30, 2017 AND 2016
(Expressed in Canadian dollars)

NOTICE TO READER

The accompanying condensed consolidated interim financial statements of Lara Exploration Ltd. for the nine months ended September 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)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,506,940	\$ 3,103,765
Receivables	16,213	68,512
Prepays and deposits	19,057	87,059
Total current assets	2,542,210	3,259,336
Non-current assets		
Restricted cash equivalents	57,500	46,000
Equipment	65,666	14,804
Exploration and evaluation assets (Note 3)	182,822	163,526
Investment in associated companies and joint ventures (Note 5)	381,549	371,704
Long-term investments (Note 6)	1,977,549	551,492
Total non-current assets	2,665,086	1,147,526
TOTAL ASSETS	\$ 5,207,296	\$ 4,406,862
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 126,235	\$ 110,990
Advances from JV partners (Notes 3 & 4)	-	102,572
TOTAL LIABILITIES	126,235	213,562
EQUITY		
Share capital (Note 7)	24,283,887	24,226,886
Commitment to issue shares (Note 7)	-	44,558
Share-based payments reserve	8,349,246	8,349,246
Accumulated other comprehensive income	833,712	85,055
Deficit	(28,385,784)	(28,512,445)
TOTAL EQUITY	5,081,061	4,193,300
TOTAL LIABILITIES AND EQUITY	\$ 5,207,296	\$ 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 November 20, 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		Nine months ended	
	September 30		September 30	
	2017	2016	2017	2016
EXPLORATION EXPENDITURES (Note 4)	\$ 328,803	\$ 219,257	\$ 824,054	\$ 614,180
GENERAL AND ADMINISTRATIVE EXPENSES				
Administrative services	86,925	94,061	263,739	265,142
Depreciation	173	173	519	524
Management and directors' fees	30,000	30,000	90,000	90,000
Professional fees	11,692	14,057	63,717	54,990
Investor relations and shareholder communication	20,087	29,652	82,584	55,705
Share-based payments (Note 7)	3,021	6,920	12,443	78,576
Transfer agent and filing fees	4,082	21,732	53,932	66,879
Travel and related costs	7,724	2,722	17,973	3,700
	163,704	199,317	584,907	615,516
Loss before other items	(492,507)	(418,574)	(1,408,961)	(1,229,696)
OTHER INCOME (EXPENSES)				
Change in fair value of derivative instruments (Note 6)	579,383	-	677,400	-
Equity in loss of associated companies (Note 5)	(19,202)	45,650	(90,573)	(18,559)
Foreign exchange gain (loss)	(55,165)	11,676	(86,531)	(77,743)
Gain on sale of subsidiaries	-	-	1,033,047	-
Interest income	4,190	5,720	15,731	7,114
Option payments received	-	-	-	693,975
Other income	(642)	-	(642)	4,699
Write-off of exploration and evaluation assets (Note 3)	-	-	(12,810)	(35,401)
	508,564	63,046	1,535,622	574,085
Net income (loss) for the period	16,057	(355,528)	126,661	(655,611)
Other comprehensive income (loss)				
Net income (loss) for the period	\$ 16,057	\$ (355,528)	\$ 126,661	\$ (655,611)
Items that may be reclassified to profit or loss				
Change in fair value of investments (Note 6)	630,272	(47,513)	748,657	(37,517)
Comprehensive income (loss)	\$ 646,329	\$ (403,041)	\$ 875,318	\$ (693,128)
Basic and diluted income (loss) per common share	\$ 0.00	\$ (0.01)	\$ 0.00	\$ (0.02)
Weighted average number of common shares outstanding	34,242,607	31,741,445	34,222,497	31,795,141

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)

	Nine Months Ended September 30,	
	2017	2016
OPERATING ACTIVITIES		
Net income (loss) for the period	\$ 126,661	\$ (655,611)
Items not affecting cash:		
Depreciation	519	524
Depreciation included in exploration expenditures	5,193	10,234
Equity loss on investment in associated companies and joint ventures	90,573	18,559
Change in fair value of derivative financial instruments	(677,400)	-
Gain on sale of a subsidiary	(1,033,047)	-
Write-off of exploration and evaluation assets	12,810	35,401
Share-based payments	12,443	78,576
Changes in non-cash working capital items:		
Receivables	9,325	(11,582)
Prepays and deposits	68,002	(58,446)
Accounts payable and accrued liabilities	40,603	(51,478)
Advances from joint venture partners	(33,086)	-
	(1,377,404)	(633,823)
INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	(32,106)	(72,031)
Advance from JV partners	-	102,572
Purchase of equipment	(58,517)	(343)
Proceeds from sale of subsidiaries	983,120	-
Investing in MC collateral GIC	(11,500)	-
Investment in associated companies and joint ventures	(100,418)	(57,389)
	780,579	(27,191)
FINANCING ACTIVITIES		
Shares issued for Private Placement	-	3,000,000
Share issuance costs	-	(47,597)
Exercise of options	-	95,000
	-	3,047,403
Change in cash and cash equivalents	(596,825)	2,386,389
Cash and cash equivalents, beginning of year	3,103,765	1,017,726
Cash and cash equivalents, end of period	\$ 2,506,940	\$ 3,404,115
Supplementary cash flow information		
Interest received	\$ 15,731	7,114

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

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian dollars)

	Number of shares	Share capital	Commitment to issue shares	Share-based payments reserve	Accumulated other comprehensive income (loss)	Deficit	Total
Balance as at December 31, 2016	34,212,607	\$ 24,226,886	\$ 44,558	\$ 8,349,246	\$ 85,055	\$ (28,512,445)	\$ 4,193,300
Share-based payments	-	-	12,443	-	-	-	12,443
Bonus shares issued	75,001	57,001	(57,001)	-	-	-	-
Change in fair value of AFS investments	-	-	-	-	748,657	-	748,657
Net income for the period	-	-	-	-	-	126,661	126,661
Balance as at September 30, 2017	34,287,608	\$ 24,283,887	\$ -	\$ 8,349,246	\$ 833,712	\$ (28,385,784)	\$ 5,081,061
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	380,000	95,000	-	-	-	-	95,000
Reclassification of share-based payment reserve on exercise of options	-	35,451	-	(35,451)	-	-	-
Share-based payments	-	-	33,236	45,340	-	-	78,576
Shares issued for Private Placement	2,400,000	3,000,000	-	-	-	-	3,000,000
Shares issuance costs	6,250	(47,597)	-	-	-	-	(47,597)
Bonus shares issued	75,000	57,000	(57,000)	-	-	-	-
Change in fair value of AFS investments	-	-	-	-	(37,517)	-	(37,517)
Net loss for the period	-	-	-	-	-	(655,611)	(655,611)
Balance as at September 30, 2016	34,147,607	\$ 24,120,510	\$ 39,769	\$ 8,349,334	\$ 99,764	\$ (28,529,715)	\$ 4,079,662

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 Nine Months Ended September 30, 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 and Peru. These condensed consolidated interim financial statements of the Company as at and for the nine months ended September 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. 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 Nine Months Ended September 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

	September 30, 2017	December 31, 2016
Brazil		
Planalto Copper	\$ 55,449	\$ 55,449
Azul Tin	21,638	21,638
Serrita	-	12,810
Damolândia	19,358	19,358
Peru		
Antamaray	26,436	24,286
Puituco	40,403	10,447
Buenos Aires	19,538	19,538
Total	\$ 182,822	\$ 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.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 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 were reissued to Lara in June 2016. During the year ended December 31, 2016, the Company made an option payment of \$29,672 (US\$25,000) which was capitalized to exploration and evaluation assets. 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 nine months ended September 30, 2017.

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2017 and 2016

(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. 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 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 of project expenses, issue to Lara of vendor shares in Phillips River and a 2% production royalty.

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

4. EXPLORATION EXPENDITURES

During the nine months ended September 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	General and other Lara	Total
Administrative	\$ 24,838	\$ 193,794	\$ 140	\$ 450	\$ 14,828	\$ -	\$ 234,050
Assays	7,621	8,896	-	1,514	2,894	-	20,925
Field costs	2,869	61,699	-	-	10,840	-	75,408
Property maintenance	2,638	78,615	-	-	11,867	-	93,120
Salaries / consultants	65,760	162,158	2,748	7,295	95,721	47,346	381,028
Telecommunications	-	2,851	-	-	2,846	-	5,697
Travel	13,740	18,065	-	-	12,251	20,856	64,912
Total expenditures	117,466	526,078	2,888	9,259	151,247	68,202	875,140
Recoveries	(51,086)	-	-	-	-	-	(51,086)
Net expenditures	\$ 66,380	\$ 526,078	\$ 2,888	\$ 9,259	\$ 151,247	\$ 68,202	\$ 824,054

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

4. EXPLORATION EXPENDITURES (continued)

During the nine months ended September 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	\$ 63,586	\$ 186,034	\$ -	\$ 829	\$ 3,045	\$ 115	\$ 35,924	\$ 289,533
Assays	2,565	12,729	-	-	-	-	138	15,432
Field costs	1,162	35,222	-	-	-	-	3,398	39,782
Property maintenance	11,056	74,434	-	55	34,140	11,639	-	131,324
Salaries / consultants	79,898	111,456	5,144	-	13,201	-	21,319	231,018
Telecommunications	-	1,303	-	-	-	-	2,340	3,643
Travel	10,863	12,323	-	-	-	-	2,156	25,342
Total expenditures	169,130	433,501	5,144	884	50,386	11,754	65,275	736,074
Recoveries	(73,710)	-	-	-	(48,184)	-	-	(121,894)
Net expenditures	\$ 95,420	\$ 433,501	\$ 5,144	\$ 884	\$ 2,202	\$ 11,754	\$ 65,275	\$ 614,180

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 several minor properties all of which were nominal.

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

4. EXPLORATION EXPENDITURES (continued)

During the nine months ended September 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 Curionopolis Copper Property. During the nine months ended September 30, 2017, Tessarema advanced a further \$18,000 to Lara and incurred \$51,086 of expenditures. As a result, at the time Tessarema acquired the subsidiary that held the Curionopolis Copper Project, there were unspent advances of \$69,486 in that company.

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

During the nine months ended September 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	\$ 176,282	\$ 870,257	\$ 73,710	\$ 102,572	\$ 693,975	\$ 870,257
Picha, Peru – Maxy Gold	-	48,184	-	48,184	48,184	-	-	48,184
Total	\$ -	\$ 742,159	\$ 176,282	\$ 918,441	\$ 121,894	\$ 102,572	\$ 693,975	\$ 918,441

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 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 nine months ended September 30, 2017	98,269	1,022	1,127	100,418
Share of net (loss) income	(28,878)	(1,022)	8,718	(21,182)
Previous losses recognized	(69,391)	-	-	(69,391)
Net investment at September 30, 2017	\$ -	\$ -	\$ 381,549	\$ 381,549

6. LONG-TERM INVESTMENTS

The Company has the following long-term investments in the common shares and options 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 September 30, 2017. The options held in Valor Resources Ltd. are derivatives and are classified as FVTPL financial assets. They were fair valued at September 30, 2017 using a Black-Scholes option pricing model with the following assumptions: a stock price of Australian dollars (“AUD”) AUD 0.025, an exercise price of AUD 0.004, an expected life of 1.21 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 September 30, 2017
<u>Available-for-sale Investments</u>			
Agua Resources Ltd.	\$ 106,463	\$ 11,366	\$ 117,829
Mt. Ridley Mines Inc.	25,071	(8,357)	16,714
Redzone Resources Ltd.	8,925	1,700	10,625
Valor Resources Limited	232,093	743,948	976,041
	372,552	748,657	1,121,209
<u>FVTPL Investments</u>			
Valor Resources Limited	178,940	677,400	856,340
Total	\$ 551,492	\$ 1,426,057	\$ 1,977,549

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

7. EQUITY

Authorized

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

Stock Options

The changes in stock options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Balance as at December 31, 2016	1,795,000	\$ 0.64
Expired/cancelled	(575,000)	(1.20)
Balance as at September 30, 2017	1,220,000	\$ 0.38

The following table summarizes the stock options outstanding and exercisable at September 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 2.92 years. On January 31, 2017, 575,000 options with an exercise price of \$1.20 expired unexercised.

Share-based Payments

During the nine months ended September 30, 2017, the Company accrued \$12,443 of share-based payments for vesting bonus shares and issued 75,001 of bonus shares to the directors and employees of the Company, valued at \$57,001.

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 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 in Brazil and Peru, equipment is located mainly in Brazil and all 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:

	Nine months ended	
	September 30, 2017	September 30, 2016
Salaries, benefits and directors' fees	\$ 251,244	\$ 255,033
Share-based payments	11,059	74,885
	<u>\$ 262,303</u>	<u>\$ 329,918</u>

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

Related party assets and liabilities	Service or items	September 30, 2017	December 31, 2016
Amounts due to:			
Vice President, Corporate Development	Fees and expenses	\$ 14,035	\$ -
Vice President, Exploration	Fees and expenses	13,731	14,512
Amounts due from:			
Reservoir Capital Corp. (<i>common director</i>)	Expense recovery	1,199	1,199
Chief Executive Officer	Expense recovery	-	100

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

Financial instruments	September 30, 2017			
	Financial instruments at FVTPL	Available-for-sale investments	Loans and receivables	Other financial liabilities
Cash and cash equivalents	\$ -	\$ -	\$ 2,506,940	\$ -
Restricted cash equivalents	-	-	57,500	-
Receivables	-	-	16,213	-
Long-term investments	856,340	1,121,209	-	-
Accounts payable and accrued liabilities	-	-	-	(126,235)
	\$ 856,340	\$ 1,121,209	\$ 2,580,653	\$ (126,235)

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).

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 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
September 30, 2017				
Long-term investments	\$ 1,121,209	\$ 856,340	\$ -	\$ 1,977,549
December 31, 2016				
Long-term investments	\$ 372,552	\$ 178,940	\$ -	\$ 551,492