



LARA EXPLORATION LTD.
(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Nine Months Ended September 30, 2018 AND 2017
(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, 2018 and 2017 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, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 799,275	\$ 1,532,332
Short-term investments	-	551,616
Receivables	22,110	16,529
Prepays and deposits	108,033	50,062
Total current assets	929,418	2,150,539
Non-current assets		
Restricted cash equivalents	57,500	57,500
Equipment	53,429	61,821
Exploration and evaluation assets (Note 3)	262,012	185,013
Investment in associated companies and joint ventures (Note 5)	299,778	306,735
Long-term investments (Note 6)	224,977	1,681,384
Total non-current assets	897,696	2,292,453
TOTAL ASSETS	\$ 1,827,114	\$ 4,442,992
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 175,893	\$ 98,844
TOTAL LIABILITIES	175,893	98,844
EQUITY		
Share capital (Note 7)	24,371,350	24,283,887
Commitment to issue shares (Note 7)	44,383	-
Share-based payments reserve	9,194,039	9,054,746
Accumulated other comprehensive income	214,296	695,506
Deficit	(32,172,847)	(29,689,991)
TOTAL EQUITY	1,651,221	4,344,148
TOTAL LIABILITIES AND EQUITY	\$ 1,827,114	\$ 4,442,992

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

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on November 21, 2018.

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 Income (Loss)

(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	September 30		September 30	
	2018	2017	2018	2017
EXPLORATION EXPENDITURES (Note 4)	\$ 204,132	\$ 328,803	\$ 934,182	\$ 824,054
GENERAL AND ADMINISTRATIVE EXPENSES				
Administrative services	84,396	86,925	260,038	263,739
Depreciation	173	173	519	519
Management fees	30,000	30,000	90,000	90,000
Professional fees	20,591	11,692	54,246	63,717
Investor relations and shareholder communication	21,940	20,087	71,829	82,584
Share-based payments (Note 7)	17,507	3,021	251,139	12,443
Transfer agent and filing fees	4,130	4,082	49,857	53,932
Travel and related costs	5,347	7,724	63,234	17,973
	184,084	163,704	840,862	584,907
Loss before other items	(388,216)	(492,507)	(1,775,044)	(1,408,961)
OTHER ITEMS				
Change in fair value of FVTPL investments (Note 6)	(185,262)	579,383	(623,988)	677,400
Equity in loss of associated companies (Note 5)	(20,578)	(19,202)	(92,804)	(90,573)
Foreign exchange gain (loss)	(20,940)	(55,165)	(6,773)	(86,531)
Gain on sale of subsidiaries	-	-	-	1,033,047
Interest income	627	4,190	8,177	15,731
Other income	7,576	(642)	7,576	(642)
Write-off of exploration and evaluation assets	-	-	-	(12,810)
	(218,577)	508,564	(707,812)	1,535,622
Net income (loss) for the period	(606,793)	16,057	(2,482,856)	126,661
OTHER COMPREHENSIVE INCOME (LOSS)				
Change in fair value of FVTOCI investments (Note 6)	40,464	630,272	(481,210)	748,657
Comprehensive income (loss)	\$ (566,329)	\$ 646,329	\$ (2,964,066)	\$ 875,318
Basic and diluted income (loss) per common share	\$ (0.02)	\$ 0.00	\$ (0.07)	\$ 0.00
Weighted average number of common shares outstanding	34,450,940	34,242,607	34,352,020	34,220,004

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LARA EXPLORATION LTD.

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Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

	Nine Months Ended Sept 30,	
	2018	2017
OPERATING ACTIVITIES		
Net income (loss) for the period	\$ (2,482,856)	\$ 126,661
Items not affecting cash:		
Depreciation	519	519
Depreciation included in exploration expenditures	12,382	5,835
Equity loss on investment in associated companies and joint ventures	92,804	90,573
Change in fair value of derivative financial instruments	623,988	(677,400)
Gain on sale of a subsidiary	-	(1,033,047)
Gain on sale of vehicle	-	(642)
Write-off of exploration and evaluation assets		12,810
Unrealized foreign exchange (gain) loss	(10,892)	5,630
Share-based payments	251,139	12,443
Changes in non-cash working capital items:		
Receivables	(5,581)	9,325
Prepays and deposits	(57,971)	68,002
Accounts payable and accrued liabilities	77,049	40,603
Advances from joint venture partners	-	(33,086)
	(1,499,419)	(1,371,774)
INVESTING ACTIVITIES		
Short-term investments	551,616	-
Acquisition of exploration and evaluation assets	(76,999)	(32,106)
Investment in associated companies and joint ventures	(85,847)	(100,418)
Proceeds from sale of investments	502,393	-
Investment in restricted cash	-	(11,500)
Long-term investments	(151,184)	-
Proceeds from sale of subsidiaries	-	983,120
Purchase of equipment	(4,509)	(58,517)
	735,470	780,579
FINANCING ACTIVITIES		
Exercise of options	20,000	-
	20,000	-
Effect of exchange rate changes on cash and cash equivalents	10,892	(5,630)
Change in cash and cash equivalents	(733,057)	(596,825)
Cash and cash equivalents, beginning of year	1,532,332	3,103,765
Cash and cash equivalents, end of period	\$ 799,275	\$ 2,506,940
Supplementary cash flow information		
Interest received	\$ 8,177	\$ 15,731

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, 2017	34,287,608	\$ 24,283,887	\$ -	\$ 9,054,746	\$ 695,506	\$ (29,689,991)	\$ 4,344,148
Exercise of stock options	80,000	20,000	-	-	-	-	20,000
Reclassification of share-based payments reserve on exercise of stock options	-	7,464	-	(7,464)	-	-	-
Share-based payments	83,332	59,999	44,383	146,757	-	-	251,139
Change in fair value of AFS investments	-	-	-	-	(481,210)	-	(481,210)
Net income for the period	-	-	-	-	-	(2,482,856)	(2,482,856)
Balance as at September 30, 2018	34,450,940	\$ 24,371,350	\$ 44,383	\$ 9,194,039	\$ 214,296	\$ (32,172,847)	\$ 1,651,221
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 loss 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

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

LARA EXPLORATION LTD.

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Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2018 and 2017

(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, 2018 and 2017 are comprised of the Company and its subsidiaries. The Company’s common shares are listed on the TSX Venture Exchange under the symbol of “LRA”.

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

These 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 will 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, 2017, 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, 2017.

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For the Nine Months Ended September 30, 2018 and 2017

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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 fair value through other comprehensive income (“FVTOCI”) 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.

Change of Accounting Policy

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

The main area of change is the accounting for equity securities previously classified as available for sale. The Company elected to classify its equity investments as FVTOCI as they are considered to be held for trading.

The Company completed an assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

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

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

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.

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3. EXPLORATION AND EVALUATION ASSETS

	September 30, 2018	December 31, 2017
Brazil		
Planalto Copper	\$ 127,486	\$ 55,449
Azul Tin	21,638	21,638
Damolândia	38,333	19,358
Peru		
Antamaray	28,229	27,511
Puituco	26,240	40,971
Buenos Aires	20,086	20,086
Total	\$ 262,012	\$ 85,013

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% net smelter return ("NSR") royalty to Lara. Tessarema was not able to reach commercial production on the property in 2017 by the contractual deadline. Subsequent to that deadline Lara and Tessarema agreed to revise the terms of the agreement. In June 2017, Lara completed the sale of the 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 the Maravaia Mine does not reach commercial production by November 26, 2018, Tessarema must make an additional US\$1,000,000 payment to Lara. The mine has not reached commercial production and Tessarema does not have sufficient funds to make the US\$1,000,000 payment to Lara. Tessarema completed the acquisition of the project by acquiring two subsidiaries from Lara, Carajas (BVI) Ltd. and Maravaia Mineracao Ltda.

Planalto Copper Project

In February 2013 (amended in June 2016), the Company entered into an option agreement to acquire a 100% interest in the Planalto Copper Project by paying US\$500,000 (US\$100,000 paid to date) in cash and a 2% NSR royalty. Lara has the right to acquire 50% of the NSR for US\$2,000,000. The original Planalto mineral licenses were cancelled by the National Department of Mineral Production ("DNPM") based on perceived deficiencies in the application paperwork. These deficiencies were rectified and the licenses were reissued to Lara in June 2016. During the year ended December 31, 2016, the Company made an option payment of \$29,672 (US\$25,000) which was capitalized to exploration and evaluation assets. In June 2018, the Company made a US\$50,000 option payment which was capitalized to exploration and evaluation assets.

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3. EXPLORATION AND EVALUATION ASSETS (continued)

Azul Tin Project

In October 2015, the Company entered into an option agreement with Best Metais e Soldas S.A. (“Best”) to acquire the Azul Tin Project, located in Tocantins State, central Brazil. The Company paid US\$7,500 on signing the agreement and a second payment of US\$7,500 was made in January 2016. In order to complete the acquisition, Lara must make the following payments to Best: US\$40,000 by December 31, 2016; US\$200,000 by December 31, 2017 and US\$500,000 by December 31, 2018. Lara did not make the US\$40,000 payment due on December 31, 2016. In April 2017, Best agreed to extend the option in exchange for a single payment of US\$700,000 due by December 31, 2018. Best is entitled to a 2% royalty on the value of ore produced. Lara can purchase the royalty from Best for a one-time payment of US\$3,000,000.

Damolândia Nickel Project

In February 2016, the Company entered into an agreement with BCV Consultoria e Projetos Ltda. (“BCV”), to acquire the Damolândia Nickel Project in central Brazil. Lara has agreed to make staged cash payments totalling US\$580,000. BCV will also be entitled to a 1% NSR royalty on any production from the project, but Lara retains the right to purchase this royalty for a cash payment of US\$2,000,000. During the year ended December 31, 2016, the Company made its first option payment in the amount of \$19,358 (US\$15,000) which was capitalized to exploration and evaluation assets. Lara made another US\$15,000 option payment in the first quarter of 2018, which was capitalized to exploration and evaluation assets. On January 23, 2018 the agreement was amended and Lara now has until February 16, 2020 to make the first of three US\$50,000 payments. Originally that payment was due in 2019. The other terms of the agreement remain as before the amendment.

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. Upon the signing of the agreement, Lara received US\$150,000. Under the proposed terms, Ares can acquire the Corina property from Lara for staged cash payments totalling US\$4,150,000, carrying out US\$2,000,000 in exploration and paying a 2% NSR royalty on any future production. In October 2016, Ares signed a community agreement in support of their application to conduct drilling on the property and made a cash payment of US\$150,000 to Lara. Ares has 36 months from the date of the community agreement, to complete the acquisition. Ares has been conducting surface fieldwork, as well as baseline environmental and archeological surveys for their drill permit application.

Grace Gold Project

In November 2013, Lara signed an option agreement with Apumayo S.A.C., (“Apumayo”) a subsidiary of Peruvian gold miner Aruntani S.A.C., for Apumayo to acquire 100% of the Company’s Grace Gold Project in southern Peru for a total of US\$2,000,000 (US\$75,000 received to date) within 36 months of receiving approval by Dirección General de Minería for the start of exploration activities. Lara will also be entitled to an NSR royalty of between 0.75% and 1% on gold and gold equivalent production in excess of 200,000 troy ounces. Apumayo further committed to minimum exploration expenditures on the property of US\$500,000 and the completion of a minimum of 3,000 metres of drilling. Apumayo secured a drill permit and completed some drilling in 2017.

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However, the option agreement with Apumayo expired on December 2017, and Lara now holds a 100% interest in the property.

3. EXPLORATION AND EVALUATION ASSETS (continued)**Strategic Alliances - Kiwanda Alliances**

In October 2014, Lara and Kiwanda agreed to sell all the rights and options held under their Phosphate Alliance and Coal Alliance, to Bifox Limited ("Bifox") formerly Phillips River Mining Limited. In November 2016, Bifox signed definitive option agreements with the underlying owners of the phosphate rock mine and processing facilities at Bahia Inglesa in northern Chile and has assumed control and management of the day to day operations. Bifox will seek to list its shares on the Australian Securities Exchange ("ASX") in 2018, which will also mark the completion of the transaction with Lara for the sale of all its direct project rights under the Kiwanda alliances to Bifox in exchange for reimbursement of US\$570,000 of project expenses, issue to Lara of vendor shares in Bifox and a 2% production royalty.

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4. EXPLORATION EXPENDITURES

During the nine months ended September 30, 2018, the Company incurred the following exploration expenditures, which were expensed as incurred:

	Planalto Brazil	Damolandia Brazil	General and other Brazil	Antamaray Peru	Buenos Aires Peru	Puituco Peru	General and other Peru	Total
Administrative	\$ 84,389	\$ 29,431	\$ 20,419	\$ 2,564	\$ 2,050	\$ 2,166	\$ 27,119	\$ 168,138
Assays	46,618	2,311	252	470	170	2,852	545	53,218
Drilling	141,504	-	-	-	-	-	-	141,504
Field costs	45,750	2,328	8,888	-	-	-	5,040	62,006
Property maintenance	13,685	1,147	50,298	22,443	20,320	59	9,048	117,000
Salaries and consultants	103,319	93,099	27,332	3,733	3,734	19,781	116,644	367,642
Telecommunications	2,894	230	83	-	-	-	1,463	4,670
Travel and related costs	15,411	-	564	105	154	-	3,770	20,004
Total expenditures	453,570	128,546	107,836	29,315	26,428	24,858	163,629	934,182
Recoveries	-	-	-	-	-	-	-	-
Net expenditures	\$ 453,570	\$ 128,546	\$ 107,836	\$ 29,315	\$ 26,428	\$ 24,858	\$ 163,629	\$ 934,182

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

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(Expressed in Canadian dollars)

4. EXPLORATION EXPENDITURES (continued)

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

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

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(Expressed in Canadian dollars)

4. EXPLORATION EXPENDITURES (continued)

During the nine months ended September 30, 2018, the Company has not received any option payments.

During the nine months ended September 30, 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	\$ -	\$ -	\$ 18,000	\$ 18,000	\$ 51,086	\$ -	\$ 51,086
Total	\$ -	\$ -	\$ 18,000	\$ 18,000	\$ 51,086	\$ -	\$ 51,086

During the nine months ended September 30, 2017, Tessarema advanced \$18,000 to Lara and incurred \$51,086 of expenditures.

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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
Net investment at December 31, 2017	\$ -	\$ -	\$ 306,735	\$ 306,735
Additional investment (recovery) for the nine months ended September 30, 2018	83,482	1,131	1,234	85,847
Share of net (loss) income	(83,482)	(1,131)	(8,191)	(92,804)
Net investment at September 30, 2018	\$ -	\$ -	\$ 299,778	\$ 299,778

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 Venture Exchange (“TSX-V”) and the Australia Securities Exchange (“ASX”). The common shares held at year-end have been classified as FVTOCI financial assets and are valued at their fair market values at September 30, 2018. During the nine months ended September 30, 2018, the Company sold all of its shares in: Aguia Resources Ltd., Mt. Ridley Mines Inc., Redzone Resources Ltd., and Valor Resources Limited for proceeds of \$502,393 and recognized a change in fair value of these assets of \$481,210 in the statement of comprehensive income. Lara also exercised its options in Valor Resources Ltd. and designated the shares received as FVTPL financial assets.

	Fair value December 31, 2017	Additions	Disposals	Change in fair value	Fair value September 30, 2018
<u>FVTOCI Investments</u>					
Aguia Resources Ltd.	\$ 111,044	\$ -	\$ (49,498)	\$ (61,546)	\$ -
Mt. Ridley Mines Inc.	27,429	-	(5,234)	(22,195)	-
Redzone Resources Ltd.	22,100	-	(17,657)	(4,443)	-
Reservoir Capital Corp.	1,799	-	-	(200)	1,599
Valor Resources Limited	822,830	-	(430,004)	(392,826)	-
	985,202	-	(502,393)	(481,210)	1,599
<u>FVTPL Investments</u>					
Valor Resources Limited options	696,182	-	-	(696,182)	-
Valor Resources Limited shares	-	151,184	-	72,194	223,378
	696,182	151,184	-	(623,988)	223,378
Total	\$ 1,681,384	\$ 151,184	\$ (502,393)	\$(1,105,198)	\$ 224,977

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Notes to the Condensed Consolidated Interim Financial Statements

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7. EQUITY**Authorized**

As at September 30, 2018, the authorized share capital of the Company was an unlimited number of common shares without par value.

Stock Options

The changes in stock options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Balance as at December 31, 2017	2,865,000	\$ 0.60
Granted	350,000	0.72
Exercised	(80,000)	(0.25)
Balance as at September 30, 2018	3,135,000	\$ 0.62

The following table summarizes the stock options outstanding and exercisable at September 30, 2018:

Date Granted	Expiry Date	Exercise Price	Number Outstanding	Number Exercisable
April 22, 2014	April 22, 2019	\$0.86	50,000	50,000
July 24, 2015	July 24, 2020	\$0.25	910,000	910,000
May 27, 2016	May 27, 2021	\$0.86	100,000	100,000
November 18, 2016	November 18, 2021	\$1.02	80,000	80,000
November 21, 2017	November 21, 2022	\$0.76	1,645,000	1,645,000
March 14, 2018	March 14, 2023	\$0.72	350,000	350,000
Total			3,135,000	3,135,000

At September 30, 2018 the weighted average remaining life of the outstanding stock options was 3.37 years. During the nine months ended September 30, 2018, 80,000 options were exercised with an exercise price of \$0.25.

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7. EQUITY (continued)

Share-based Payments

During the nine months ended September 30, 2018, the Company granted 250,000 bonus shares to senior management and 83,332 of these were issued on March 22, 2018 with a fair market value of \$59,999. The Company recorded an increase in capital of \$59,999 and accrued \$26,876 of share-based payments for vesting bonus shares.

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

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, 2018	September 30, 2017
Management fees	\$ 264,065	\$ 251,244
Share-based payments	251,139	11,059
	<u>\$ 515,204</u>	<u>\$ 262,303</u>

Amounts due to related parties are included in accounts payable and accrued liabilities and as at September 30, 2018 and December 31, 2017 were as follows:

Related party assets and liabilities	Service or items	Sept 30, 2018	December 31, 2017
Amounts due to:			
Chief Executive Officer	Fees and expenses	\$ 52,182	\$ 593
Vice President, Corporate Development	Fees and expenses	24,573	2,499
Vice President, Exploration	Fees and expenses	48,664	11,759

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10. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

Financial instruments	September 30, 2018			
	FVTPL investments	FVTOCI investments	Loans and receivables	Other financial liabilities
Cash and cash equivalents	\$ -	\$ -	\$ 799,275	\$ -
Restricted cash equivalents	-	-	57,500	-
Receivables	-	-	22,110	-
Long-term investments	223,378	1,599	-	-
Accounts payable and accrued liabilities	-	-	-	(175,893)
	\$ 223,378	\$ 1,599	\$ 878,885	\$ (175,893)

Financial instruments	December 31, 2017			
	FVTPL investments	FVTOCI investments	Loans and receivables	Other financial liabilities
Cash and cash equivalents	\$ -	\$ -	\$ 1,532,332	\$ -
Short-term investments	-	-	551,616	-
Restricted cash equivalents	-	-	57,500	-
Receivables	-	-	11,264	-
Long-term Investments	696,182	985,202	-	-
Accounts payable and accrued liabilities	-	-	-	(98,844)
	\$ 696,182	\$ 985,202	\$ 2,157,712	\$ (98,844)

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).

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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, 2018				
Long-term investments	\$ 224,977	\$ -	\$ -	\$ 224,977
December 31, 2017				
Long-term investments	\$ 985,202	\$ 696,182	\$ -	\$ 1,681,384

11. EVENT AFTER THE REPORTING DATE

On November 5th, 2018 the Company signed a Letter of Intent (“LOI”) granting Capstone Mining Corp. (“Capstone”), an exclusive option to earn up to a 70% interest in the Planalto Project. Under the terms of the LOI, Capstone will pay Lara US\$150,000 immediately and US\$ 200,000 following receipt of a drill permit for the Project and execution of the Definitive Agreement (“the Agreement”). Lara has received the initial payment of US\$150,000. Capstone will then invest a minimum of US\$1.2 million within a year of signing the Agreement, to drill test extensions of the mineralization identified at Homestead and scout drill other targets on the property.

Capstone can earn an initial 49% interest by investing US\$5 million by the third anniversary of the Agreement and can then elect to purchase an additional 2% interest in the Project by paying Lara US\$ 400,000 and committing to fund a Feasibility Study by the fifth anniversary, to reach a 61% interest. The third and final phase will comprise Capstone electing to finance, build and operate a commercial mining operation to the benefit of Lara 30% and Capstone 70%, with Lara repaying its pro-rata share of the financing out of cash flow. Lara will hold certain buy back rights to reacquire a majority interest in the Project should Capstone decide to discontinue investing.