



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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Six Months Ended June 30, 2019 AND 2018**  
(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, 2019 and 2018 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, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,045,797	\$ 780,247
Receivables	28,256	16,623
Prepays and deposits	41,608	57,743
<b>Total current assets</b>	<b>2,115,661</b>	<b>854,613</b>
<b>Non-current assets</b>		
Restricted cash equivalents	57,500	57,500
Equipment	51,476	52,212
Exploration and evaluation assets (Note 3)	144,805	194,672
Investment in associated companies and joint ventures (Note 5)	137,462	131,243
Long-term investments (Note 6)	183,608	114,648
<b>Total non-current assets</b>	<b>574,851</b>	<b>550,275</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,690,512</b>	<b>\$ 1,404,888</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 191,479	\$ 322,766
<b>TOTAL LIABILITIES</b>	<b>191,479</b>	<b>322,766</b>
<b>EQUITY</b>		
Share capital (Note 7)	26,433,900	24,371,350
Commitment to issue shares (Note 7)	38,958	72,164
Share-based payments reserve	9,194,039	9,194,039
Deficit	(33,167,864)	(32,555,431)
<b>TOTAL EQUITY</b>	<b>2,499,033</b>	<b>1,082,122</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 2,690,512</b>	<b>\$ 1,404,888</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 15, 2019.

**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 Loss

(Expressed in Canadian dollars)

	Three months ended		Six months ended	
	June 30		June 30	
	2019	2018	2019	2018
<b>EXPLORATION EXPENDITURES</b> (Note 4)	\$ (14,297)	\$ 373,409	\$ 213,203	\$ 730,050
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Office, rent and administrative services	82,990	84,412	165,223	175,642
Depreciation	173	173	346	346
Management fees	30,000	30,000	60,000	60,000
Professional fees	13,444	21,765	40,883	33,655
Shareholder communication and investor relations	9,283	24,229	15,376	49,889
Share-based payments (Note 7 and 9)	7,397	22,438	26,794	233,632
Transfer agent and regulatory fees	33,976	40,357	60,525	45,727
Travel	8,908	25,511	17,024	57,887
Total general and administrative expenses	186,171	248,885	386,171	656,778
	(171,874)	(622,294)	(599,374)	(1,386,828)
Equity in loss on investment in associated companies and joint ventures (Note 5)	(34,058)	(37,068)	(45,500)	(72,226)
Foreign exchange gain (loss)	(10,060)	(11,329)	(26,517)	14,167
Other income (Note 4)	44,165	3,586	44,865	7,550
Loss on settlement of debt	-	-	(5,000)	-
Write-off of exploration and evaluation assets	(28,229)	-	(49,867)	-
Change in fair value of FVTPL investments (Note 6)	107,825	(199,573)	68,960	(438,726)
	79,643	(244,384)	(13,060)	(489,235)
<b>Net income (loss) for the period</b>	(92,231)	(866,678)	(612,433)	(1,876,063)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Change in fair value of AFS financial instruments (Note 6)	-	(168,095)	-	(521,674)
<b>Comprehensive loss for the period</b>	\$ (92,231)	\$ (1,034,773)	\$ (612,433)	\$ (2,397,737)
<b>Loss per common share</b>				
Earnings (loss) loss per common share – basic and diluted	\$ (0.00)	\$ (0.03)	\$ (0.02)	\$ (0.05)
Weighted average number of common shares outstanding – basic and diluted	38,634,274	34,450,940	36,669,725	34,352,020

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,	
	2019	2018
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ (612,433)	\$ (1,876,063)
<b>Items not affecting cash:</b>		
Depreciation	346	346
Depreciation included in exploration expenditures	7,104	8,610
Equity loss on investment in associated companies and joint ventures	45,500	72,226
Change in fair value of derivative financial instruments	(68,960)	438,726
Loss on settlement of debt	5,000	-
Unrealized foreign exchange (gain) loss	(28,929)	(7,756)
Share-based payments	26,794	233,632
Write-of of exploration and evaluation assets	49,867	-
<b>Changes in non-cash working capital items:</b>		
Receivables	(11,633)	(24,496)
Prepays and deposits	16,135	(73,133)
Accounts payable and accrued liabilities	(81,287)	12,056
	(652,496)	(1,215,852)
<b>INVESTING ACTIVITIES</b>		
Short-term investments	-	551,616
Purchase of equipment	(6,714)	(4,509)
Acquisition of exploration and evaluation assets	-	(76,999)
Investment in associated companies and joint ventures	(51,719)	(68,217)
Proceeds from sale of investments	-	72,389
	(58,433)	474,280
<b>FINANCING ACTIVITIES</b>		
Shares issued for Private Placement	2,000,000	-
Share issuance costs	(52,450)	-
Exercise of options	-	20,000
	1,947,550	20,000
Effect of exchange rate changes on cash and cash equivalents	28,929	7,756
<b>Change in cash and cash equivalents</b>	<b>1,265,550</b>	<b>(713,816)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>780,247</b>	<b>1,532,332</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,045,797</b>	<b>\$ 818,516</b>
<b>Supplementary cash flow information</b>		
Interest received	\$ 390	\$ 7,550

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, 2018</b>	34,450,940	\$ 24,371,350	\$ 72,164	\$ 9,194,039	\$ -	\$ (32,555,431)	\$ 1,082,122
Shares issued for Private Placement	4,000,000	2,000,000	-	-	-	-	2,000,000
Share issuance costs	-	(52,450)	-	-	-	-	(52,450)
Shares issued for debt	100,000	55,000	-	-	-	-	55,000
Share-based payments	83,334	60,000	(33,206)	-	-	-	26,794
Net income for the period	-	-	-	-	-	(612,433)	(612,433)
<b>Balance as at June 30, 2019</b>	38,634,274	\$ 26,433,900	\$ 38,958	\$ 9,194,039	\$ -	\$ (33,167,864)	\$ 2,499,033
<b>Balance as at December 31, 2017</b>	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	26,876	146,757	-	-	233,632
Change in fair value of AFS investments	-	-	-	-	(521,674)	-	(521,674)
Net income for the period	-	-	-	-	-	(1,876,063)	(1,876,063)
<b>Balance as at June 30, 2018</b>	34,450,940	\$ 24,371,350	\$ 26,876	\$ 9,194,039	\$ 173,832	\$ (31,566,054)	\$ 2,200,043

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, 2019 and 2018

(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, 2019 and 2018 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**

#### **Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

#### **Basis of Presentation**

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, 2018, 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, 2018.

## LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2019 and 2018

(Expressed in Canadian dollars)

### 2. BASIS OF PRESENTATION (continued)

#### 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.

#### New Accounting Policy

The Company adopted IFRS 16 - Leases effective January 1, 2019. This new standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This new accounting policy did not have any effect on the Company's consolidated financial statements.

### 3. EXPLORATION AND EVALUATION ASSETS

	December 31, 2018	Additions	Reductions	June 30, 2019
<b>Brazil</b>				
Azul Tin	\$ 21,638	\$ -	\$ (21,638)	\$ -
Damolândia	38,333	-	-	38,333
<b>Peru</b>				
Antamaray	28,229	-	(28,229)	-
Puituco	26,240	-	-	26,240
Buenos Aires	24,230	-	-	24,230
Rafa	31,628	-	-	31,628
Other	24,374	-	-	24,374
Total	\$ 194,672	\$ -	\$ (49,867)	\$ 144,805

#### 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. The Maravaia Mine did not reach commercial production by November 26, 2018, and Tessarema must make an additional US\$1,000,000 payment to Lara. However, Tessarema does not have enough working capital to make that payment. The agreement is being renegotiated and the outstanding payment may be paid from proceeds of production.



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Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2019 and 2018

(Expressed in Canadian dollars)

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

#### ***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. 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. On October 30, 2018, Capstone Mining Corp. (“Capstone”) signed a letter of intent with Lara to option the Planalto Copper Project and made a payment of US\$150,000 (\$197,854) to Lara. The option payment was first applied against the capitalized value of the Planalto Copper Project in the amount of \$127,486 with the balance of \$70,368 being recorded as a recovery of exploration expenses.

On February 4, 2019, the Company announced that it had signed a Definitive Agreement (“the Agreement”) granting Capstone, an exclusive option to earn up to a 70% interest in the Company’s Planalto Copper Project (“the Project”). Capstone has paid Lara a further US\$200,000 following receipt of a drill permit for the Project and assumed the costs of the underlying agreement. Capstone can earn an initial 49% interest by 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.

Lara elected to accelerate the drill program at Planalto and on May 28, 2019 filed a “Final Exploration Report” (“RFP”) with the National Agency of Mining (“ANM”) in Brazil. On June 20, 2019, Lara and Capstone amended their agreement such that the initial three-year earn-in period for Capstone to acquire a 49% interest in the project, now starts from the date of approval of the RFP and the 2019 drill program as fulfilling Capstone’s first year work commitment. Capstone transferred US\$500,000 to Lara upon signing of the amendment to cover the payment to Lara due upon receipt of the permit to drill, the payment due to the underlying vendor and a partial reimbursement of Lara’s costs. Upon approval of the RFP, Capstone will reimburse additional costs of US\$600,000. The remaining conditions of the agreement are unchanged and exploration work is expected to resume upon approval of the report.

#### ***Azul Tin Project***

Lara’s option on the property expired unexercised in December 2018 and the Company has elected to relinquish the property back to the underlying owner and wrote off the capitalized costs of \$21,638.

## **LARA EXPLORATION LTD.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2019 and 2018

(Expressed in Canadian dollars)

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

#### ***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 and expects to complete a first pass drill program before the end of October 2019.

#### **Antamaray**

During the six months ended June 30, 2019, the Company decided not to renew the Antamaray license and wrote off the capitalized cost of \$28,229.

#### **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 2019, 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.

**LARA EXPLORATION LTD.**

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Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2019 and 2018

(Expressed in Canadian dollars)

**4. EXPLORATION EXPENDITURES**

During the six months ended June 30, 2019, 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	Rafa Peru	General and other Peru	Total
Administrative	\$ 71,577	\$ (653)	\$ 17,833	\$ 20,834	\$ 1,133	\$ 339	\$ 3,100	\$ 23,521	\$ 137,684
Assays	40,040	-	5,607	1,235	-	-	-	-	46,882
Drilling	270,626	-	-	-	-	-	-	-	270,626
Field costs	49,255	-	14,020	-	-	-	-	743	64,018
Property maintenance	83,384	7,761	24,729	-	7,494	6,608	-	8,750	138,726
Salaries and consultants	202,391	(76,531)	30,900	-	-	2,896	-	29,751	189,407
Telecommunications	282	-	875	-	-	-	-	-	1,157
Travel and related costs	20,249	-	1,305	-	100	34	15	445	22,148
Total expenditures	737,804	(69,423)	95,269	22,069	8,727	9,877	3,115	63,210	870,648
Recoveries	(657,445)	-	-	-	-	-	-	-	(657,445)
Net expenditures	\$ 80,359	\$ (69,423)	\$ 95,269	\$ 22,069	\$ 8,727	\$ 9,877	\$ 3,115	\$ 63,210	\$ 213,203

Expenditures incurred on general and other projects in Peru include costs incurred on several early-stage prospects all of which were nominal. During the six months ended June 30, 2019, Lara received a payment of \$657,445 (US\$500,000) for the Planalto property from Capstone and \$43,338 (BZL 125,000) from Seven Mineracao Ltda. for the sale of two mineral exploration licenses. The amount received from Seven Mineracao Ltda. was recorded as other income. During the six months ended June 30, 2019, the Company reduced accrued consulting fees on the Damolandia project that related to 2018 activity. This resulted in a net credit balance for the project.

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2019 and 2018

(Expressed in Canadian dollars)

**4. EXPLORATION EXPENDITURES (continued)**

During the six months ended June 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	\$ 71,377	\$ 16,196	\$ 12,612	\$ 1,941	\$ 1,602	\$ 1,647	\$ 16,418	\$ 121,793
Assays	44,649	2,311	-	470	170	2,844	545	50,989
Drilling	141,504	-	-	-	-	-	-	141,504
Field costs	31,375	2,328	6,121	-	-	-	3,897	43,721
Property maintenance	7,693	776	29,657	22,693	20,320	59	14,072	95,270
Salaries and consultants	85,188	45,898	23,354	3,623	3,624	19,710	77,929	259,326
Telecommunications	2,478	230	-	-	-	-	1,264	3,972
Travel and related costs	11,043	-	431	32	78	-	1,891	13,475
Total expenditures	395,307	67,739	72,175	28,759	25,794	24,260	116,016	730,050
Recoveries	-	-	-	-	-	-	-	-
Net expenditures	\$ 395,307	\$ 67,739	\$ 72,175	\$ 28,759	\$ 25,794	\$ 24,260	\$ 116,016	\$ 730,050

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 Six Months Ended June 30, 2019 and 2018

(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, 2018	\$ -	\$ -	\$ 131,243	\$ 131,243
Additional investment (recovery) for the six months ended June 30, 2019	49,269	1,172	1,278	51,719
Share of net (loss) income	(14,930)	(1,172)	4,941	(11,161)
Previous losses recognized	(34,339)	-	-	(34,339)
Net investment at June 30, 2019	\$ -	\$ -	\$ 137,462	\$ 137,462

### 6. LONG-TERM INVESTMENTS

The Company has the following long-term investments in the common shares that trade on the Australia Securities Exchange ("ASX"). The common shares have been classified as FVTPL financial assets and are valued at their fair market value as at June 30, 2019.

	Fair value December 31, 2018	Change in fair value	Fair value June 30, 2019
<u>FVTPL investments</u>			
Valor Resources Limited	\$ 114,648	\$ 68,960	\$ 183,608

### 7. EQUITY

#### Authorized

As at June 30, 2019, the authorized share capital of the Company was an unlimited number of common shares without par value.

#### Share Issuances

##### Private Placement

In March 2019, the Company completed a private placement, raising \$2,000,000 by issuing 4,000,000 units at \$0.50 per unit. Each unit consisted of one common share and half of one non-transferable, common share purchase warrant. Each full warrant will entitle the holder to purchase an additional common share at \$0.70 for two years. If, after four months from closing, the closing price of the Company's shares on the TSX Venture Exchange is \$1.00 or greater for any period of 10 consecutive trading days, the Company may, by news release issued within five trading days thereof, accelerate the expiry of the warrants to the 21st trading day after such news release. The Company paid finder's fees in respect of subscriptions from investors introduced by a finder.

## LARA EXPLORATION LTD.

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Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2019 and 2018

(Expressed in Canadian dollars)

### 7. EQUITY (continued)

#### Bonus Shares

On March 22, 2019, the Company issued 83,334 bonus shares with a grant date value of \$60,000 to senior management.

#### Debt Settlement

In March 2019, the Company issued 100,000 common shares to the CEO & President and the Vice-President Corporate Development to settle consulting fees owed to them in the amount of \$50,000.

#### **Stock Options**

The changes in stock options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
<b>Balance as at December 31, 2018</b>	3,105,000	\$ 0.62
Expired	(50,000)	(0.86)
<b>Balance as at June 30, 2019</b>	3,055,000	\$ 0.61

The following table summarizes the stock options outstanding and exercisable at June 30, 2019:

Date Granted	Expiry Date	Exercise Price	Number Outstanding	Number Exercisable
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	1,615,000	1,615,000
March 14, 2018	March 14, 2023	\$0.72	350,000	350,000
Total			3,055,000	3,055,000

In April 2019, 50,000 options with an exercise price of \$0.86 expired, unexercised. At June 30, 2019 the weighted average remaining life of the outstanding stock options was 2.66 years.

### 8. SEGMENTED INFORMATION

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

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**9. RELATED PARTY TRANSACTIONS AND BALANCES**

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

	Six months ended	
	June 30, 2019	June 30, 2018
Management fees	\$ 146,822	\$ 176,672
Share-based payments	26,794	279,753
	\$ 173,616	\$ 456,425

Amounts due to and from related parties as at June 30, 2019 and December 31, 2018 are as follows:

Related party assets and liabilities	Service or items	June 30 2019	December 31 2018
Amounts due to:			
Chief Executive Officer	Fees and expenses	\$ 30,876	\$ 80,000
Vice President, Corporate Development	Fees and expenses	12,085	33,600
Vice President, Exploration	Fees and expenses	61,590	93,683

**10. FINANCIAL INSTRUMENTS**

The Company classified its financial instruments as follows:

June 30, 2019	FVTPL	Amortized Cost	Total
Cash and cash equivalents	\$ -	\$ 2,045,797	\$ 2,045,797
Restricted cash equivalents	-	57,500	57,500
Receivables	-	28,256	28,256
Long-term investments	183,608	-	183,608
Accounts payable and accrued liabilities	-	(191,479)	(191,479)
	\$ 183,608	\$ 1,940,074	\$ 2,123,682

December 31, 2018	FVTPL	Amortized Cost	Total
Cash and cash equivalents	\$ -	\$ 780,247	\$ 780,247
Restricted cash equivalents	-	57,500	57,500
Receivables	-	16,623	16,623
Long-term investments	114,864	-	114,648
Accounts payable and accrued liabilities	-	(322,766)	(322,766)
	\$ 114,648	\$ 531,604	\$ 646,252

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**10. FINANCIAL INSTRUMENTS** (continued)**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).

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, 2019</b>				
Long-term investments	\$ 183,608	\$ -	\$ -	\$ 183,608
<b>December 31, 2018</b>				
Long-term investments	\$ 114,648	\$ -	\$ -	\$ 114,648