



LARA EXPLORATION LTD.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Six Months Ended June 30, 2020, AND 2019

(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, 2020, and 2019 (“Interim Financial Statements”) have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. The Company’s external auditors have not reviewed these Interim Financial Statements.

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

	June 30, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,069,047	\$ 2,070,758
Receivables	14,270	56,558
Prepays and deposits	55,399	63,096
Total current assets	2,138,716	2,190,412
Non-current assets		
Restricted cash equivalents	57,500	57,500
Equipment	37,994	46,307
Exploration and evaluation assets (Note 3)	161,847	93,640
Long-term investments (Note 6)	76,080	183,595
Total non-current assets	333,421	381,042
TOTAL ASSETS	\$ 2,472,137	\$ 2,571,454
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 65,300	\$ 144,732
Advances from joint venture partners (Note 4)	321,680	409,261
TOTAL LIABILITIES	386,980	553,993
EQUITY		
Share capital (Note 7)	26,703,309	26,433,900
Commitment to issue shares (Note 7)	-	54,082
Share-based payments reserve	9,181,691	9,238,600
Deficit	(33,799,843)	(33,709,121)
TOTAL EQUITY	2,085,157	2,017,461
TOTAL LIABILITIES AND EQUITY	\$ 2,472,137	\$ 2,571,454

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

These Interim Financial Statements were authorized for issuance by the Board of Directors on August 19, 2020.

Approved by the Board of Directors"Miles Thompson" , Director"Christopher Jones" , Director

The accompanying notes are an integral part of these Interim Financial Statements .

LARA EXPLORATION LTD.

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Condensed Consolidated Interim Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Three months ended		Six months ended	
	June 30		June 30	
	2020	2019	2020	2019
EXPLORATION EXPENDITURES (Note 4)	\$ 83,581	\$ (14,297)	\$ 169,599	\$ 213,203
GENERAL AND ADMINISTRATIVE EXPENSES				
Office, rent and administrative services	79,986	82,990	163,025	165,223
Depreciation	393	173	787	346
Management fees	30,000	30,000	60,000	60,000
Professional fees	26,657	13,444	39,617	40,883
Shareholder communication and investor relations	27,315	9,283	46,851	15,376
Share-based payments (Note 7 and 9)	-	7,397	5,918	26,794
Transfer agent and regulatory fees	20,870	33,976	32,910	60,525
Travel	-	8,908	5,588	17,024
Total general and administrative expenses	185,221	186,171	354,696	386,171
	(268,802)	(171,874)	(524,295)	(599,374)
Equity loss on investment in associated companies and joint ventures (Note 5)	(32,875)	(34,058)	(32,875)	(45,500)
Foreign exchange gain (loss)	(99,991)	(10,060)	1,424	(26,517)
Other income (Note 4)	469,492	44,165	572,539	44,865
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)	40,239	107,825	(107,515)	68,960
	376,865	79,643	433,573	(13,060)
Net income (loss) for the period	108,063	(92,231)	(90,722)	(612,433)
OTHER COMPREHENSIVE INCOME (LOSS)				
Change in fair value of AFS financial instruments (Note 6)	-	-	-	-
Comprehensive Income (loss) for the period	\$ 108,063	\$ (92,231)	\$ (90,722)	\$ (612,433)
Earnings (Loss) per common share				
Earnings (loss) loss per common share – basic and diluted	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	38,864,386	38,634,274	38,697,334	36,669,725

The accompanying notes are an integral part of these Interim Financial Statements .

LARA EXPLORATION LTD.

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Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

	Six Months Ended June 30,	
	2020	2019
OPERATING ACTIVITIES		
Net loss for the period	\$ (90,722)	\$ (612,433)
Items not affecting cash:		
Depreciation	787	346
Depreciation included in exploration expenditures	7,526	7,104
Equity loss on investment in associated companies and joint ventures	-	45,500
Change in fair value of long-term investments	107,515	(68,960)
Loss on settlement of debt	-	5,000
Unrealized foreign exchange gain	(3,719)	(28,929)
Share-based payments	5,918	26,794
Write-off of exploration and evaluation assets	-	49,867
Changes in non-cash working capital items:		
Receivables	42,288	(11,633)
Prepays and deposits	7,697	16,135
Accounts payable and accrued liabilities	(79,432)	(81,287)
Advance from JV partners	(87,581)	-
	(89,723)	(652,496)
INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	(68,207)	-
Investment in associated companies and joint ventures	-	(51,719)
Purchase of equipment	-	(6,714)
	(68,207)	(58,433)
FINANCING ACTIVITIES		
Shares issued for Private Placement	-	2,000,000
Share issuance costs	-	(52,450)
Stock options exercised	152,500	-
	152,500	1,947,550
Effect of exchange rate changes on cash and cash equivalents	3,719	28,929
Change in cash and cash equivalents	(1,711)	1,265,550
Cash and cash equivalents, beginning of year	2,070,758	780,247
Cash and cash equivalents, end of period	\$ 2,069,047	\$ 2,045,797
Supplementary cash flow information		
Interest received	\$ 368	\$ 390

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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	Deficit	Total
Balance as at December 31, 2019	38,634,274	\$ 26,433,900	\$ 54,082	\$ 9,238,600	\$ (33,709,121)	\$ 2,017,461
Exercise of stock options	610,000	152,500	-	-	-	152,500
Reclassification of share-based payments						
Reclassify reserve upon exercise of options	-	56,909	-	(56,909)	-	-
Accruals for share-based payments	-	-	5,918	-	-	5,918
Bonus shares issued	83,334	60,000	(60,000)	-	-	-
Net income for the period	-	-	-	-	(90,722)	(90,722)
Balance as at June 30, 2020	39,327,608	\$ 26,703,309	\$ -	\$ 9,181,691	\$ (33,799,843)	\$ 2,085,157
Balance as at December 31, 2018	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
Accruals for share-based payments	-	-	26,794	-	-	26,794
Bonus shares issued	83,334	60,000	(60,000)	-	-	-
Net income for the period	-	-	-	-	(612,433)	(612,433)
Balance as at June 30, 2019	38,634,274	\$ 26,433,900	\$ 38,958	\$ 9,194,039	\$ (33,167,864)	\$ 2,499,033

The accompanying notes are an integral part of these 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, 2020 and 2019

(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 Interim Financial Statements 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 required permits to mine and future profitable production or proceeds from the disposition of these assets.

These 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 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 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds. Therefore, there is additional uncertainty on the Company’s ability to continue as a going concern.

Statement of Compliance

These Interim 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”).

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Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Basis of Presentation

These Interim Financial Statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited consolidated financial statements for the year ended December 31, 2019, except that they do not include all the information required for the annual audited consolidated financial statements. These Interim Financial Statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2019.

Basis of Consolidation

These 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

	December 31, 2019	Additions	Reductions	June 30, 2020
Brazil				
Planalto Copper	\$ -	\$ 68,207	\$ -	\$ 68,207
Peru				
Puituco	26,240	-	-	26,240
Buenos Aires	24,230	-	-	24,230
Rafa	31,628	-	-	31,628
Other	11,542	-	-	11,542
Total	\$ 93,640	\$ 68,207	\$ -	\$ 161,847

Brazil

Celesta Copper Project (formerly Curionópolis Copper-Gold Project)

In October 2013, the Company signed an option agreement with Tessarema Resources Inc. ("Tessarema"), whereby Tessarema could earn a 100% interest in the Curionópolis Copper Project. Tessarema could 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, and 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, Mineração 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, according to the revised terms of the agreement, and Tessarema now is obliged to make an additional US\$1,000,000 payment to Lara.

During the year ended December 31, 2019, the Company entered into an Amended Joint Venture Agreement ("the JV Agreement") with Tessarema, and a new local partner North Extração de Minério Ltda. ("North") to consolidate ownership of the processing plant and surface rights access agreements (held by North). The

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3. EXPLORATION AND EVALUATION ASSETS (continued)

Curionópolis mineral rights (originally held by Lara) and all other rights to the Maravaia Copper Project held by Tessarema, were consolidated into a new venture denominated Celesta Mineração S.A. (“Celesta”) to move the project into production as soon as possible. As part of a previously agreed life-of-mine concentrates Offtake Agreement, Ocean Partners UK Ltd. (“Ocean Partners”), agreed to extend the existing loan and lend Celesta a further US\$2.6m to fund upgrades to the plant, pre-stripping, mine infrastructure and working capital.

Tessarema was in default under the terms of its original option agreement with Lara because it failed to achieve commercial production in November of 2018 and recognized that it owed Lara a US\$1 million late penalty fee. As part of the amended JV Agreement, it was agreed that Celesta would assume and pay the penalty fee to Lara in ten instalment payments of US\$100,000, the first of which was paid on November 28. During the six months ended June 30, 2020, Lara received the second instalment of US\$100,000. Lara also owns 5% of the shares of Celesta without the obligation to contribute to the start-up costs and continues to hold a 2% Net Smelter Return Royalty on any production. The detailed royalty agreement can be found as a schedule of the JV Agreement.

In July 2020, mining and processing started at Celesta, with the first concentrates due to be shipped in early August.

Planalto Copper Project

In February 2013 (amended in June 2016 and June 2019), the Company entered into an option agreement to acquire a 100% interest in the Planalto Copper Project (the “Planalto Project”) by paying US\$500,000 (US\$250,000 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 (\$72,037) option payment, which was capitalized to exploration and evaluation assets. In June 2020, the Company made a scheduled option payment of US\$50,000. Lara must make additional payments of US\$250,000 by September 30, 2021, to complete the acquisition of the Planalto Project.

On October 30, 2018, Capstone Mining Corp. (“Capstone”) signed a letter of intent with Lara to option the Planalto 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 Project 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 Planalto Project. Capstone has paid Lara a further US\$200,000 following receipt of a drill permit for the Planalto 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 Planalto 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 Planalto Project should Capstone decide to discontinue investing.

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3. EXPLORATION AND EVALUATION ASSETS (continued)

Lara elected to accelerate the drill program at the Planalto Project, 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 partial reimbursement of Lara’s costs. The RFP was approved on October 31, 2019, and in Capstone has reimbursed Lara the additional costs of US\$600,000. The remaining conditions of the agreement are unchanged, and exploration work resumed in November 2019. Capstone advanced US\$400,000 to Lara in November 2019 and a further US\$413,222 February 2020, to fund ongoing project expenditures.

Cumaru Manganese Royalty

During the year ended December 31, 2019, the Company signed a Definitive Agreement transferring all its rights and obligations for the Cumaru Manganese Project in northern Brazil, to local mining company Seven Mineração Limitada, in exchange for BRL 250,000 in cash (equivalent to approximately US\$60,975) and a royalty of US\$2/ton of ore taken from the property. The Company has received the first BRL 125,000 payment and expects to receive the second payment in the second half of 2020.

The Cumaru Manganese Project comprises two exploration licenses totalling 8,915 hectares in area, located near the town of Cumaru do Norte in Pará State, northern Brazil, registered as part of Lara’s ongoing generative program for gold and copper around the Carajás Mineral Province. Exploration work did not encounter significant gold or copper values but did identify lateritic manganese mineralization. Seven Mineração has made agreements with the local landowners and is currently undertaking additional exploration and permitting work, intending to start pilot mining in the near term.

Peru

Ancash Gold Royalties

During the year ended December 31, 2019, the Company signed a Definitive Agreement transferring all its rights and obligations to the Pampas 1, Pampas 2 and Tayacoto gold exploration licenses, located in the Ancash Department of northern Peru, to Estrella Gold S.A.C. (“Estrella”) in exchange for 5% of the shares of Estrella and a 1% NSR royalty on future production. The three properties, totalling 2,200 hectares in area, are early-stage prospects claimed as part of Lara’s generative program for gold in Peru. Estrella is a Peruvian exploration company focused on epithermal gold exploration in the Ancash Department. Estrella currently holds 10,300 hectares of licenses and license applications (including 2,200 hectares from Lara) and is finalizing acquisition and joint venture agreements for two advanced exploration assets. Estrella plans to list in Canada and has signed a Letter of Intent with Daura Capital Corp. (listed on the TSXV with symbol DUR.P) by which Daura will acquire Estrella.

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.

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(Expressed in Canadian dollars)

3. EXPLORATION AND EVALUATION ASSETS (continued)

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 completed surface fieldwork, as well as baseline environmental and archeological surveys, and acquired a drill permit. Ares completed its first pass drill program during the year ended December 31, 2019. Ares has 36 months from the date of the drill permit to complete the acquisition. In June 2020, Ares made a scheduled option payment of US\$350,000 to Lara. The payment was recorded as other income on the statement of comprehensive loss.

Bifox Phosphate Project

In October 2014, Lara, Kiwanda Mining Partners LP and Kiwanda Group LLC, 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 assumed control and management of the day to day operations. Subsequent to December 31, 2019, Bifox settled an outstanding legal dispute inherited from the original vendors, lifting the embargo on mining and processing. Bifox will seek to reactivate the mine and list its shares on the Australian Securities Exchange (“ASX”) in 2020. Lara currently owns approximately 14% of Bifox Limited, and upon relisting of the shares will receive a reimbursement of US\$570,000 of project expenses. Lara also holds a 2% production royalty that is triggered once the production rate exceeds 20,000 tonnes per annum.

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For the Six Months Ended June 30, 2020 and 2019

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4. EXPLORATION EXPENDITURES

During the six months ended June 30, 2020, the Company incurred the following exploration expenditures, which were expensed as incurred:

	Planalto Brazil	General and other Brazil	General and other Peru	Total
Administrative	\$ 8,944	\$ 75,004	\$ 12,250	\$ 96,198
Assays	57,442	-	-	57,442
Drilling	323,372	-	-	323,372
Field costs	65,453	-	716	66,169
Property maintenance	60	7,331	-	7,391
Salaries and consultants	278,535	42,054	31,864	352,453
Telecommunications	1,235	-	-	1,235
Travel and related costs	5,926	-	380	6,306
Total expenditures	740,967	124,389	45,210	910,566
Recoveries	(740,967)	-	-	(740,967)
Net expenditures	\$ -	\$ 124,389	\$ 45,210	\$ 169,599

At December 31, 2019, the Company reported advances from Capstone, a JV partner, of \$409,261. During the six months ended June 30, 2020, Lara received an additional \$653,386 of advances, and incurred exploration expenses of \$740,967. At June 30, 2020, there were \$321,680 of advances due to JV partners.

During the six months ended June 30, 2020, Lara received a penalty payment of \$115,218 (BRL 420,800) from Celesta Mineração Ltda. and an option payment of \$475,728 from Ares for the Corina Gold Project. These were recorded as other income, net of other expenses of \$18,407, for total net other income of \$572,539.

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For the Six Months Ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

4. EXPLORATION EXPENDITURES (continued)

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 in 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, which resulted in a net credit balance for the project.

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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 balance of investment in associated companies and joint ventures was \$Nil at June 30, 2020, and December 31, 2019. During the six months ended June 30, 2020, the Company made an additional investment of \$31,460 in Minas Dixon. The Company’s share of net loss for the six months ended June 30, 2020, was \$23,805 and recognized its share of loss. In addition, the Company recognized \$7,655 of prior year loss (2019-49,269). During the six months ended June 30, 2020, Lara made an additional investment of \$1,415 in Kiwanda and recognized a net loss of that amount on its equity investment. Lara recognized a total loss on its investments in associated companies of \$32,875 for the six months ended June 30, 2020 (2019 - \$45,500).

6. LONG-TERM INVESTMENTS

The Company has an investment in the common shares of Valor Resources Limited that trade on the Australia Securities Exchange (“ASX”). In the year ended December 31, 2019, the Company signed an agreement with Estrella (Note 3 – Ancash Royalties) and received 5% of the shares of Estrella for \$1,041. Estrella is a private exploration company. The common shares of these two companies have been classified as FVTPL financial assets and are valued at their fair market value as at June 30, 2020.

	Fair value December 31, 2019	Additions	Change in fair value	Fair value June 30, 2020
<u>FVTPL investments</u>				
Valor Resources Limited	\$ 182,554	\$ -	\$ (107,515)	\$ 75,039
Estrella Gold SAC	1,041	-	-	1,041
Total	\$ 183,595	\$ -	\$ (107,515)	\$ 76,080

7. EQUITY

Authorized

As at June 30, 2020, the authorized share capital of the Company was an unlimited number of common shares without par value.

Share Issuances

Bonus Shares

On March 23, 2020, the Company issued 83,334 bonus shares with a grant date value of \$60,000 to senior management. Lara accrued \$5,918 of share-based payment expense in the six months ended June 30, 2020, for the bonus shares.

Options Exercised

In June 2020, 610,000 common shares were issued pursuant to the exercise of stock options for proceeds of \$152,500.

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7. EQUITY (continued)

Stock Options

The changes to the number of stock options outstanding for the six months ended June 30, 2020, are as follows.

	Number of Options	Weighted Average Exercise Price
Balance as at December 31, 2019	3,255,000	\$ 0.61
Exercised	(610,000)	0.25
Balance as at June 30, 2020	2,645,000	\$ 0.69

The following table summarizes the stock options outstanding and exercisable at June 30, 2020:

Date Granted	Expiry Date	Exercise Price	Number Outstanding	Number Exercisable
July 24, 2015	July 24, 2020	\$0.25	300,000	300,000
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
November 13, 2019	November 13, 2024	\$0.50	200,000	200,000
Total			2,645,000	2,645,000

At June 30, 2020, the weighted average remaining life of the outstanding stock options was 1.83 years. The 300,000 options with an exercise price of \$0.25 were all exercised in July 2020, prior to expiry.

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, 2020	June 30, 2019
Management fees	\$ 171,052	\$ 146,822
Share-based payments	5,918	26,794
	\$ 176,970	\$ 173,616

Amounts due to and from related parties as at June 30, 2020, and December 31, 2019, are as follows:

Related party assets and liabilities	Service or items	June 30 2020	December 31 2019
Amounts due to:			
Chief Executive Officer	Fees and expenses	\$ -	\$ 11,117
Vice President, Corporate Development	Fees and expenses	-	11,250
Vice President, Exploration	Fees and expenses	13,886	28,578

10. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

June 30, 2020	FVTPL	Amortized Cost	Total
Cash and cash equivalents	\$ -	\$ 2,069,047	\$ 2,069,047
Restricted cash equivalents	-	57,500	57,500
Receivables	-	14,270	14,270
Long-term investments	76,080	-	76,080
Accounts payable and accrued liabilities	-	(65,300)	(65,300)
Advances from JV Partners	-	(321,680)	(321,680)
	\$ 76,080	\$ 1,753,837	\$ 1,829,917
December 31, 2019	FVTPL	Amortized Cost	Total
Cash and cash equivalents	\$ -	\$ 2,070,758	\$ 2,070,758
Restricted cash equivalents	-	57,500	57,500
Receivables	-	56,558	56,558
Long-term investments	183,595	-	183,595
Accounts payable and accrued liabilities	-	(144,732)	(144,732)
Advances from JV Partners	-	(409,261)	(409,261)
	\$ 183,595	\$ 1,630,823	\$ 1,814,418

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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:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of receivables, accounts payable, and accrued liabilities approximated their fair value due to the short-term nature of these instruments. Financial instruments measured at fair value on the condensed consolidated interim statements of financial position are summarized in levels of fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
June 30, 2020				
Long-term investments	\$ 76,080	\$ -	\$ -	\$ 76,080
December 31, 2019				
Long-term investments	\$ 183,595	\$ -	\$ -	\$ 183,595

11. EVENT AFTER THE REPORTING DATE

In July 2020, Lara announced that it had, with its partner, Global Battery Metals Ltd. (“GBM”), signed an option and royalty agreement for the sale of the Lara Copper Project (the “Project”) for US\$5.76 million and a 1.5% net smelter return (“NSR”) royalty, to Minsur S.A. (“Minsur”). Minsur is a Peruvian tin and gold miner that is in the late stages of building the US\$1.6 billion CapEx Mina Justa open-pit copper mine near Marcona, in the same district as the Project. The Project is registered in the name of Minas Dixon S.A., which is owned 45% by Lara and 55% by GBM. Under the terms of the agreement Lara and GBM have granted Minsur an exclusive option to acquire a 100% interest in the Project by making staged cash payments of US\$5.76 million, based on permitting milestones, as summarized in the table below:

Milestone / Date	Option Payments (US\$)
Upon registration of the agreement before a Public Notary	59,000
One year from registration of the agreement	200,000
Approval of environment study and start of work (“DIA-IA”)	200,000
One year from approval from the DIA-IA	300,000
Approval of semi-detailed environmental study (“EIA-SD”)	500,000
One year from the approval of EIA-SD	1,500,000
Upon transfer of title	3,000,000
Total	5,759,000