LARA EXPLORATION LTD.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014
(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Lara Exploration Ltd.

We have audited the accompanying consolidated financial statements of Lara Exploration Ltd., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Lara Exploration Ltd. as at December 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Lara Exploration Ltd.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 13, 2016

LARA EXPLORATION LTD.
(An Exploration Stage Company)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	$ 1,017,726	$ 954,509
Receivables (Note 4)	6,624	50,092
Prepaids and deposits	47,360	64,401
Total current assets	1,071,710	1,069,002
Non-current assets		
Restricted cash equivalents (Note 5)	46,000	46,000
Equipment (Note 6)	23,183	30,690
Exploration and evaluation assets (Note 7)	185,236	1,108,981
Investment in associated companies and joint ventures (Note 9)	408,051	409,331
Loan receivable (Note 10)	-	348,780
Long-term investments (Note 10)	192,685	714,366
Total non-current assets	855,155	2,658,148
TOTAL ASSETS	$ 1,926,865	$ 3,727,150
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	$ 280,054	$ 338,746
TOTAL LIABILITIES	280,054	338,746
EQUITY		
Share capital (Note 11)	20,980,656	20,863,240
Commitment to issue shares	63,533	39,503
Share-based payments reserve	8,339,445	8,202,304
Accumulated other comprehensive income (Note 10)	137,281	12,189
Deficit	(27,874,104)	(25,728,832)
TOTAL EQUITY	1,646,811	3,388,404
TOTAL LIABILITIES AND EQUITY	$ 1,926,865	$ 3,727,150

Nature of operations and ability to continue as a going concern (Note 1)
Event after the reporting date (Note 18)

These consolidated financial statements were authorized for issuance by the Board of Directors on April 13, 2016.

Approved on behalf of the Board of Directors

"Miles Thompson" , Director *"Christopher Jones"* , Director

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

LARA EXPLORATION LTD.
(An Exploration Stage Company)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended December 31,	
	2015	2014
EXPLORATION EXPENDITURES (Note 8)	$ 920,205	$ 1,155,294
GENERAL AND ADMINISTRATIVE EXPENSES		
Depreciation (Note 6)	1,124	1,121
Management and directors' fees (Note 13)	144,537	334,265
Office, rent and administrative services (Note 13)	331,317	349,964
Professional fees	67,753	86,768
Shareholder communication and investor relations	21,087	40,702
Share-based payments (Notes 11 and 13)	218,170	89,054
Transfer agent and regulatory fees	41,147	46,643
Travel and related costs	57,563	90,729
Total general and administrative expenses	882,698	1,039,246
	(1,802,903)	(2,194,540)
Equity loss on investment in associated companies and joint ventures (Note 9)	(142,152)	(73,619)
Foreign exchange gain	108,163	23,179
Impairment loss on AFS investments (Note 10)	-	(729,486)
Impairment loss on loan receivable (Note 10)	(416,070)	-
Interest income	2,980	12,314
Loss on dilution of former subsidiary (Note 9)	(4,099)	-
Gain on reacquisition of subsidiary (Note 9)	2,233	-
Option revenue received (Note 8)	1,040,567	833,196
Other revenue (Note 7)	72,453	197,825
Gain on sale of equipment (Note 6)	872	2,508
Gain on settlement of accounts payable (Note 11)	12,083	-
Gain (loss) on sale of AFS investments (Note 10)	(48,806)	6,084
Write-off of exploration and evaluation assets (Note 7)	(970,593)	(633,815)
	(342,369)	(361,814)
Net loss for the year	$ (2,145,272)	$ (2,556,354)
OTHER COMPREHENSIVE INCOME (LOSS)		
Change in fair value of AFS investments	$ 76,286	(709,384)
Transfer of (gain) loss on disposal of AFS investments	48,806	(6,084)
Transfer of permanent impairment of AFS investments to net loss	-	729,486
Comprehensive loss for the year	$ (2,020,180)	$ (2,542,336)
Loss per common share		
Basic and diluted loss per common share	$ (0.07)	$ (0.08)
Weighted average number of common shares outstanding	31,113,230	30,944,934

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

LARA EXPLORATION LTD.

(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended December 31, 2015	2014
OPERATING ACTIVITIES		
Net loss for the year	$ (2,145,272)	$ (2,556,354)
Items not affecting cash:		
Depreciation	1,124	1,121
Depreciation included in exploration expenditures	8,055	7,955
Equity loss on investment in associated companies and joint ventures	142,152	73,619
Interest income	(2,980)	(12,314)
Loss (gain) on sale of AFS investments	48,806	(6,084)
Gain on settlement of accounts payable	(12,083)	-
Impairment loss on AFS investments	-	729,486
Impairment loss on loan receivable	416,070	-
Loss on dilution of former subsidiary	4,099	-
Gain on reacquisition of subsidiary	(2,233)	-
Write-off of exploration and evaluation assets	970,593	633,815
Option payments received as shares	(418,833)	(245,400)
Gain on sale of equipment	(872)	(2,508)
Share-based payments	218,170	89,054
Unrealized foreign exchange gain	(67,290)	(21,780)
Changes in non-cash working capital items:		
Receivables	26,971	(29,827)
Prepaids and deposits	17,041	10,965
Accounts payable and accrued liabilities	71,918	(114,794)
Advance from partners	-	(183,292)
	(724,564)	(1,626,338)
INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	(46,848)	(79,725)
Cash held by former subsidiary	(46,678)	-
Cash received for exploration and evaluation assets	-	160,643
Cash acquired on reacquisition of subsidiary	1,408	-
Investment in associated companies and joint ventures	(139,081)	(116,357)
Investment in loan receivable	-	(327,000)
Interest received	2,980	12,314
Purchase of equipment	(2,555)	(1,832)
Proceeds on disposal of equipment	1,755	6,700
Proceeds from sale of AFS investments	1,016,800	99,835
	787,781	(245,422)
FINANCING ACTIVITIES		
Exercise of options	-	37,500
	-	37,500
Change in cash and cash equivalents	63,217	(1,834,260)
Cash and cash equivalents, beginning of year	954,509	2,788,769
Cash and cash equivalents, end of year	$ 1,017,726	$ 954,509

Supplementary cash flow information (Note 14)

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

LARA EXPLORATION LTD.
(An Exploration Stage Company)
Consolidated 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, 2014	30,969,691	$ 20,863,240	$ 39,503	$ 8,202,304	$ 12,189	$ (25,728,832)	$ 3,388,404
Bonus shares	74,999	56,999	(56,999)	-	-	-	-
Share-based payments	-	-	81,029	137,141	-	-	218,170
Shares issued to settle accounts payable	241,667	60,417	-	-	-	-	60,417
Change in fair value of AFS investments	-	-	-	-	76,286	-	76,286
Transfer of gain on sale of AFS investments	-	-	-	-	48,806	-	48,806
Net loss for the year	-	-	-	-	-	(2,145,272)	(2,145,272)
Balance as at December 31, 2015	31,286,357	$ 20,980,656	$ 63,533	$ 8,339,445	$ 137,281	$ (27,874,104)	$ 1,646,811

	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, 2013	30,836,359	$ 20,714,041	$ 82,817	$ 8,181,635	$ (1,829)	$ (23,172,478)	$ 5,804,186
Bonus shares	73,332	88,733	(88,733)	-	-	-	-
Share-based payments	-	-	45,419	43,635	-	-	89,054
Stock options exercised	60,000	37,500	-	-	-	-	37,500
Re-allocation of reserve for share-based payments	-	22,966	-	(22,966)	-	-	-
Change in fair value of AFS investments	-	-	-	-	(709,384)	-	(709,384)
Transfer of loss on sale of AFS investments	-	-	-	-	729,486	-	729,486
Transfer of impairment of AFS investments to net loss	-	-	-	-	(6,084)	-	(6,084)
Net loss for the year	-	-	-	-	-	(2,556,354)	(2,556,354)
Balance as at December 31, 2014	30,969,691	$ 20,863,240	$ 39,503	$ 8,202,304	$ 12,189	$ (25,728,832)	$ 3,388,404

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

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, Peru, Colombia, Chile and Paraguay. These consolidated financial statements of the Company as at and for the years ended December 31, 2015 and 2014 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's head office is located at 501 – 543 Granville Street, Vancouver, British Columbia, Canada V6C 1X8.

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 resources, 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 them and future profitable production or proceeds from the disposition of these assets.

These consolidated 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 consolidated 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 consolidated financial statements, the Company has not identified a known body of commercial grade mineral on any of its properties. At December 31, 2015, the Company has not achieved profitable operations and has accumulated losses since inception. The Company may have to raise additional capital resources to fund its exploration programs and administrative expenses for the next twelve months. Accordingly there is a material uncertainty that exists that may cast significant doubt about the Company's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

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 annual consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as available-for-sale ("AFS") which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The preparation of these consolidated 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. The accounting

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Basis of Consolidation

These consolidated financial statements comprise the accounts of the Company, and its subsidiaries, after the elimination of all material intercompany balances and transactions.

Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. The Company's principal operating subsidiaries and associated companies are as follows:

Name	Principal Activity	Place of incorporation	Ownership %
Maxy Gold Corp.	Exploration company	British Columbia	100%
Maxy Gold Peru S.A.C.	Exploration company	Peru	100%
Pan Brazilian Mineração Ltda.	Exploration company	Brazil	100%
Lara Alliança Mineração Ltda.	Exploration company	Brazil	100%
Curionópolis Mineração Ltda.	Exploration company	Brazil	100%
Copper Alliance Mineracao Ltda.	Exploration company	Brazil	100%
Maravaia Mineração Ltda.	Exploration company	Brazil	100%
Enigma Mineração Ltda.	Exploration company	Brazil	100%
Andean Coal (BVI) Ltd. *	Holding company	British Virgin Islands	50%
Kiwanda Alliance (BVI) Inc. *	Holding company	British Virgin Islands	50%
Kiwanda Alliance Peru SAC*	Exploration company	Peru	50%
Kiwanda Chile SA *	Exploration company	Chile	50%
Minas Dixon S.A. *	Exploration company	Peru	45%

* These entities are jointly controlled, referred to as joint ventures and accounted for using the equity method of accounting (Note 9).

Business Combinations

Acquisitions of businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed and equity investments issued by the Company in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at the lower of cost and fair value less costs to sell.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Foreign Currencies

The functional and presentation currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the period-end exchange rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The Company has determined that the functional currency of its foreign subsidiaries is the Canadian dollar. Exchange differences arising from the translation of the net investment in its subsidiaries are recorded as a gain or loss on foreign currency translation in profit or loss.

Financial Instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following three categories: held-to-maturity, available for sale ("AFS") and loans and receivables.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost. The Company's cash and cash equivalents, restricted cash and accounts receivables are classified as loans and receivables.

Financial assets classified as AFS are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss), except for losses in value that are considered other than temporary. All of the Company's long-term investments are classified as AFS.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. The Company's accounts payable and accrued liabilities are classified as other financial liabilities. The Company does not currently have any FVTPL financial liabilities.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial assets that are assessed not to be impaired indirectly are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS investments, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of financial position is comprised of cash at banks and on hand, broker balances, and short-term deposits with an original maturity of three months or less or are readily convertible into a known amount of cash.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write-off the cost of equipment, less their estimated residual value, using the straight-line method at various rates ranging from 10% to 33 1/3% per annum. An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statements of loss and comprehensive loss.

Exploration and Evaluation Assets and Expenditures

Acquisition costs for exploration and evaluation assets, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for mineral properties pursuant to the terms of the agreement. Exploration expenditures, net of recoveries, are recorded in the consolidated statements of loss and comprehensive loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

After an exploration and evaluation asset is determined by management to be commercially viable, exploration and evaluation expenditures on the property will first be assessed for impairment before being capitalized.

Option payments to acquire an exploration and evaluation asset made at the sole discretion of the Company under an option agreement, are capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral property until the payments are in excess of acquisition costs, at which time they are then credited to profit or loss. Option payments are at the discretion of the optionee and, accordingly, are accounted for when receipt is reasonably assured.

Capitalized acquisition costs are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of mineral properties is dependent on successful development and commercial exploitation or, alternatively, the sale of the respective areas of interest.

Investments in Joint Arrangements

The Company accounts for its investment in a joint venture using the equity method and accounts for investments in joint operations by recognizing the Company's direct rights to assets, obligations for liabilities, revenues and expenses. Under the equity method, the interest in the joint venture is carried in the consolidated statement of financial position at cost plus changes in the Company's share of its net assets, less distributions received and less any impairment in the value of individual investments.

Equity Investment

The Company accounts for its long-term investments in affiliated companies over which it has significant influence and investments in joint ventures using the equity method of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the Company's share of earnings or losses and reduced by dividends received.

The Company assesses its equity investments for impairment if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the equity investment and that the event or events has an impact on the estimated future cash flow of the investment that can be reliably estimated. Objective evidence of impairment of equity investments includes:

- significant financial difficulty of the associated companies;
- becoming probable that the associated companies will enter bankruptcy or other financial reorganization; or,
- national or local economic conditions that correlate with defaults of the associated companies.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At each reporting date the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell ("FVLCS") and value in use ("VIU"). FVLCS is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is established to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

For the purposes of impairment testing, mineral properties are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Valuation of Equity Units Issued in Private Placements

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the day prior to the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as other reserve.

Share-based Payment Transactions

The stock option plan (Note 11) allows Company employees and consultants to acquire shares of the Company. Share-based payments to employees are measured at the fair value of the instruments issued and are amortized over the vesting period. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The offset to the recorded cost is to share-based payment reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a straight-line basis over the period the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

The Company's bonus share plan allows it to grant bonus shares as long-term incentive compensation. Bonus shares granted entitle the holder to receive common shares of the Company at the completion date of the vesting period. Share-based payment expense is recognized over the vesting period based on the quoted market value of the common shares on the grant date.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to the offset of current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Restoration, Rehabilitation and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage, which is created on an ongoing basis during production, are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

Earnings (Loss) per Share

Basic earnings (loss) per share (“EPS”) is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive instruments. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. In years where a loss is reported, diluted loss per share is the same as basic loss per share because the effects of potentially dilutive common shares would be anti-dilutive.

Segment Reporting

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties in South America.

Significant Accounting Judgments and Estimates

The preparation of consolidated financial statements in conformance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical Accounting Estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimated useful lives of equipment

The estimated useful lives of equipment, which is included in the consolidated statements of financial position, will impact the amount and timing of the related amortization included in profit or loss.

Share-based payments (stock options)

The fair value of stock options issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Critical Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Functional currency

The Company applied judgment in determining its functional currency and the functional currency of its subsidiaries. The functional currency was determined based on the currency in which funds are sourced and the degree of dependence on the Company for financial support.

Equity investments

The Company has a minority position on the Board of Minas Dixon S.A. ("Minas") and has a joint control position on the Boards of Andean Coal (BVI) Ltd. ("Andean Coal") and Kiwanda Alliance (BVI) Ltd. ("Kiwanda BVI") and has joint control on operational decisions. The Company has determined that it has significant influence in its associated company and has joint control over its joint arrangements and therefore equity accounting is appropriate. The Company's judgment is that it had significant influence, but not control over its equity investments.

Exploration and evaluation assets

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial resources. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful and some assets are likely to become impaired in future periods.

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Pronouncement Not Yet Effective

Accounting Standards Issued and effective for annual reporting periods beginning on or after January 1, 2018:
IFRS 9, Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. The Company has initially assessed that there will be no material reporting changes as a result of adopting the above new standards; however, enhanced disclosure requirements are expected.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and broker balances earning interest at both fixed and floating rates based on daily bank deposit rates:

	December 31, 2015	December 31, 2014
Cash	$ 1,017,437	$ 954,509
Broker balances	289	-
Cash and cash equivalents	$ 1,017,726	$ 954,509

4. RECEIVABLES

The Company's receivables arise from goods and services tax ("GST") receivable from government taxation authorities, and recovery of exploration expenditures from joint venture partners.

	December 31, 2015	December 31, 2014
Accounts receivable	$ 1,125	$ 43,488
GST receivable	5,499	6,604
Receivables	$ 6,624	$ 50,092

5. RESTRICTED CASH EQUIVALENTS

At December 31, 2015 and December 31, 2014, the Company classified $46,000 as restrcited cash equivalents. This amount is held as collateral for the Company's corporate credit cards.

(Expressed in Canadian dollars)

6. EQUIPMENT

		Computer equipment		Field equipment		Office equipment		Total
Costs								
December 31, 2013	$	38,553	$	2,517	$	104,265	$	145,335
Additions		715		498		619		1,832
Disposals		-		-		(10,966)		(10,966)
December 31, 2014		39,268		3,015		93,918		136,201
Additions		2,357		-		198		2,555
Disposals		-		-		(1,689)		(1,689)
December 31, 2015		41,625		3,015		92,427		137,067
Accumulated depreciation								
December 31, 2013		31,980		42		71,187		103,209
Additions		1288		277		7,511		9,076
Disposals		-		-		(6,774)		(6,774)
December 31, 2014		33,268		319		71,924		105,511
Additions		2,684		301		6,194		9,179
Disposals		-		-		(806)		(806)
December 31, 2015	$	35,952	$	620	$	77,312	$	113,884
Net book value								
December 31, 2014	$	6,000	$	2,696	$	21,994	$	30,690
December 31, 2015	$	5,673	$	2,395	$	15,115	$	23,183

Of the $9,179 (2014 -$9,076) of depreciation expense recognized during the year ended December 31, 2015, $8,055 (2014 - $7,955) was included as exploration expenditures and $1,124 (2014 - $1,121) was recorded as depreciation on the statements of loss and comprehensive loss. During the year ended December 31, 2015 the Company sold office equipment with a net book value of $883 (2014 - $4,192) for proceeds of $1,755 (2014 -$6,700) and recorded a gain on sale of $872 (2014 - $2,508).

7. EXPLORATION AND EVALUATION ASSETS

		December 31, 2014		Acquisition		Write-offs		December 31, 2015
Brazil								
Itaituba Iron	$	54,246	$	-	$	(54,246)	$	-
Planalto Copper		25,777		-		-		25,777
Azul Tin		-		11,447		-		11,447
Peru								
Condoroma		916,347		-		(916,347)		-
Corina		112,611		-		-		112,611
Paraguay								
Sarambi		-		35,401		-		35,401
Total	$	1,108,981	$	46,848	$	(970,593)	$	185,236

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

	December 31, 2013	Acquisition	Recoveries	Write-offs	December 31, 2014
Brazil					
Itaituba Iron	$ 54,246	$ -	$ -	$ -	$ 54,246
Planalto Copper	25,777	-	-	-	25,777
Peru					
Condoroma	916,347	-	-	-	916,347
Corina	273,254	-	(160,643)	-	112,611
Isy	80,917	79,725	-	(160,642)	-
Sami	473,173	-	-	(473,173)	-
Total	$ 1,823,714	$ 79,725	$ (160,643)	$(633,815)	$ 1,108,981

During the year ended December 31, 2015 the Company recorded other income of $72,453 with respect to land fees from 2014 which had been accrued but not paid. In 2015 the Company could not find partners for these properties and decided to let those properties lapse.

During the year ended December 31, 2014 the Company recorded other income of $197,825. Of this amount $145,389 was due to the decision not to pay annual land fees for 2013 on a number of minor exploration licenses which were relinquished in 2014. The land fees had been accrued but not paid and were recorded as other income when the properties were relinquished and the fees were no longer payable. The Company also included $36,000 in other income which was a recovery of bad debts from Network Exploration Ltd. with respect to costs which were owed to Lara for the Picha property. Lara also recorded $16,436 of management fees from Redzone Resources which related to the Minas Dixon project.

Brazil

Curionóplis 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. Under the terms of the agreement, Tessarema can earn an initial 49% interest by: making staged cash payments to Lara totalling US$750,000, completing 2,000 metres of drilling and delivering a National Instrument ("NI") 43-101 compliant report confirming a mineral resource which could be economically mined of at least 100,000 tonnes of contained copper and copper equivalent by-products. The initial NI 43-101 report filed in November 2015 required amendments. Tessarema earned a 49% interest on February 2, 2016, when the report was accepted. Tessarema can earn a further 11% interest (for a total of 60%) by paying Lara US$500,000 within one year, completing permitting for pilot mining and granting Lara a royalty of 5% on any pilot scale production (refer to Note 18). Finally, subject to completion of the first two stages (that can be run concurrently), Tessarema can earn an additional 40% interest in the project (for a total of 100%) by paying Lara US$750,000 and placing the project into commercial production at a minimum rate of 500 tonnes per day. If that milestone is achieved, the 5% pilot royalty would terminate and Lara would be granted a 2% production royalty.

Curionopolis Iron Project

The Company has a Mineral Rights Transfer Agreement ("the Agreement") whereby Vertical Mineração Ltda. ("Vertical"), a special purpose company owned by a group of Brazilian pig iron producers, has acquired the iron ore targets within the Curionopolis licenses for cash payments, exploration work commitments and

7. EXPLORATION AND EVALUATION ASSETS (continued)

royalties. Vertical completed exploration and development studies on the iron deposits in the property and is currently in the process of completing environmental permitting to secure a mining license. Lara is entitled to royalties of US$1.50/ton on sales of granular iron ore and US$0.75/ton on sales of fine-grained iron ore produced from the project.

During the year ended December 31, 2015, the Company filed for arbitration with the Forum Arbitral do Rio de Janeiro ("FARJ"), over its Agreement with Vertical. Among the terms of the Agreement, signed in May 2009, whereby Lara transferred its rights to the Curionópolis Iron Project to Vertical, were obligations for Vertical to make purchase payments and pay minimum royalties to the Company. Despite several renegotiations extending payment terms and repeated notifications Vertical has not made these payments. Lara has requested that the Arbitrators rule on the unpaid amounts, plus interest and fines, as defined by the Agreement. Eventually if Vertical is unable or unwilling to pay, the Company is requesting return of the property.

Itaituba Iron Project

In September 2011, the Company entered into an option agreement to acquire the Itaituba Iron Project by paying 100,000 reals (approximately $55,000); 50,000 reals were paid upon signing the agreement and another 50,000 reals were due upon the transfer of the title of one license area. In March 2013, the transfer of the title to the license area was completed and Lara made the second payment of 50,000 reals. The Company must make a third purchase payment of US$0.30 per ton of measured reserves of iron ore and a royalty payment of US$0.45 per ton of economically mineable reserves as determined by a NI 43-101 compliant report. At December 31, 2015 the Company wrote-down its investment in Itaituba by $54,246.

Planalto Copper Project

In February 2013, the Company entered into an option agreement to acquire a 100% interest in the Planalto Copper Project by paying US$450,000 (US$25,000 paid to date) in cash and a 2% net smelter return ("NSR") royalty. Lara has the right to acquire 50% of the NSR for US$2,000,000. The Planalto mineral rights are currently subject of an administrative dispute with the Brazilian Department of Mines and the payments to the vendor have been suspended until the matter is resolved.

Liberdade Copper Project

In September 2010 the Company signed an agreement with a local subsidiary of a Chilean copper company, Codelco do Brasil Mineracao Ltda. ("Codelco") to earn an initial 51% interest in the property by investing US$3,300,000 in exploration which has been completed. Codelco at its election, could then earn a further 24% interest by sole-funding such additional exploration work as is necessary to define a minimum resource of at least 500,000 tonnes of copper equivalent, independently reported under NI 43-101 guidelines. Work on the project is currently suspended, pending the renewal of the exploration license by the Brazilian Department of Mines ("DNPM"). The DNPM has delayed analysis of the renewal, as Vale S.A. ("Vale") has claimed to have a license dating back to 1986 that is still valid. Codelco has filed a lawsuit with the Federal Courts in Brasilia, against both the DNPM and Vale to nullify Vale's old license and safeguard its rights under the Liberdade exploration license.

7. EXPLORATION AND EVALUATION ASSETS (continued)

Sergipe Potash Project

In June 2012, Lara entered into an option agreement with Aguia Resources Ltd. ("Aguia") whereby Aguia could pay a total of US$100,000, issue up to 15,000,000 common shares to Lara and carry out US$1,500,000 of exploration expenditures within two years of the renewal of certain exploration licenses in order to acquire a 100% interest in Lara's Sergipe Potash Project in northeast Brazil. In March 2014, the parties amended the terms of the agreement and Aguia committed to pay US$400,000 in stages to Lara (which has been received) by September 30, 2015 and issue 4,000,000 more common shares to Lara by March 31, 2014 (received) and a further 11,000,000 common shares if it exercised its option to acquire a 100% interest in the project or fails to drill. The Company received the 11,000,000 common shares from Aguia in June and sold them to a third party for proceeds of $418,833. Aguia subsequently terminated its option and the Company has relinquished these mineral rights, considering the project unfeasible in the current pricing environment for potash.

Caninde Graphite Project

In October 2014 Lara signed an option agreement with Paradigm Metals Limited ("Paradigm") to earn up to an 80% interest in the Company's Canindé Graphite Project in northeastern Brazil by making staged payments totalling US$700,000 to Lara (US$100,000 received), funding a minimum of US$4,500,000 of exploration and development work and putting the project into commercial production. Paradigm terminated the option in October 2015 and returned the property to Lara.

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.

Peru

Corina Gold Project

In June 2014 the Company signed a binding ("LOI") with Compañía Minera Ares S.A.C. ("Ares"), a subsidiary of London-listed Hochschild Mining plc., granting an option to purchase its Corina Gold Project in southern Peru. Under the proposed terms, Ares can acquire the Corina property from Lara for staged cash payments totalling US$4,150,000, carrying out US$2,000,000 in exploration and paying a 2% NSR royalty on any future production. Lara and Ares signed a definitive agreement in July 2014 and Ares made the first cash payment of US$150,000. Ares has up to 36 months to obtain a community access agreement, which would allow them to begin exploration. On obtaining this agreement Ares is required to pay the Company US$150,000 and the 36 month option agreement will begin.

Grace Gold Project

In November 2013, Lara signed an option agreement with S.A.C., ("Apumayo") a subsidiary of Peruvian gold miner Aruntani S.A.C., 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

7. EXPLORATION AND EVALUATION ASSETS (continued)

Minería for the start of exploration activities. Lara will also be entitled to an NSR royalty of between 0.75% and 1% on gold and gold equivalent production in excess of 200,000 troy ounces.

Apumayo further committed to minimum exploration expenditures on the property of US$500,000 and the completion of a minimum of 3,000 metres of drilling. The timing of the payments to Lara and the work commitments are subject to securing community agreements and drilling permits from the Peruvian government.

Picha Copper Project

During the quarter ended September 30, 2015, the Company signed a Letter of Intent ("LOI") granting the Kiwanda Group ("Kiwanda") a six-month exclusive option to acquire the Picha Copper Project located in southern Peru in exchange for assuming mineral rights and community obligations that fall due during 2015. In the event that Kiwanda elects to complete its option, the Project will be transferred to a new company controlled by Kiwanda, which will grant Lara an NSR royalty of 2% on any precious metals and 1% on any base metals or other minerals produced from the Project. Kiwanda will also pay or transfer to Lara 30% of the proceeds upon a sale or transfer of the Project to a third-party. The exclusive option with Kiwanda expired on December 31, 2015 but the Company is working with Kiwanda to find investors for Picha.

Condoroma Copper-Gold Project

In December 2014, the Company signed an LOI with Goldplata Mining International Corporation ("Goldplata"). Under the terms of the LOI, Goldplata has an exclusive six-month option to negotiate an agreement to acquire Lara's interest in the Condoroma project in exchange for agreeing to pay the property holding costs which were due in 2015. Lara and Goldplata also agreed to negotiate on a best efforts basis the terms to exchange their respective interests in the Condoroma and Murindo Projects for shares in a new company and to seek financing to develop these projects and to acquire other similar copper porphyry projects in the region. The Parties were unable to agree terms for the Condoroma consolidation and the LOI was terminated at the end of the second quarter and Lara elected to write down its investment in the Condoroma Project in the amount of $916,347.

Sami Gold Project

In June 2013, the Company signed an Option and Joint Venture Agreement ("Agreement") with Minera Anaconda Peru S.A. ("Anaconda"), a subsidiary of Antofagasta Minerals S.A., to earn up to a 75% interest in Lara's Sami Gold-Copper Project in southern Peru. Under the Agreement, Antofagasta had the option to invest US$6,000,000 in exploration over four years to earn an initial 55% interest in the project, of which the first year expenditures of US$500,000 are a firm commitment. Thereafter, Antofagasta could elect to earn an additional 5% interest over two years by completing a Preliminary Economic Assessment and a further 15% (for a total of 75%) by completing a feasibility study within nine years. Anaconda would be the project operator, with Lara providing continuity and support with community relations and permitting. In April 2014 Anaconda completed the minimum work commitment and elected to relinquish its option. The Company has been unable to find a partner to advance the project and as of December 31, 2014 has decided to write-off the carrying value of $473,173.

7. EXPLORATION AND EVALUATION ASSETS (continued)

Minas Dixon - Lara and Tingo Este Copper Projects

Lara has a 45% interest in the Lara Copper Project located in southern Peru and retains a 1% NSR royalty on all production from the project. The Company acquired Tingo Este from Tinka Resources Ltd. ("Tinka") with an obligation to pay Tinka a 1% NSR royalty on any production from the property; in June 2015 Minas Dixon elected to drop the Tingo Este mineral rights.

Paraguay

Sarambi Carbonatite Prospect

On October 29, 2015 Lara entered into an LOI to acquire a 100% interest in Prospectora Caminito S.A. ("Prospectora") and its Sarambi carbonatite prospect. The Company paid US$6,850 to the optionor upon signing the LOI and paid a further US$1,293 in administration costs to enter into the LOI. Upon the granting of a prospecting license by the Ministry of Obras Publicas and the transfer to Lara of 100% of the shares of Prospectora, Lara will pay the optionor US$7,500 and Lara will have exercised the option and acquired 100% ownership of the Sarambi prospect. There are further staged payments due to the optionor totaling US$222,500 should Lara attain certain objectives in advancing the property to production.

San Alfredo Prospect

On November 3, 2015 the Company entered into an LOI to acquire a 100% interest in the San Alfredo Prospecting License subject to a 1% NSR royalty payable to the vendor. Lara is required to pay US$7,500 to acquire the property and make staged payments to the optionor totaling US$300,000, should Lara attain certain objectives in advancing the property to production. In November 2015 Lara made a payment of US$18,750 to the optionor for holding costs due to the Ministry of Obras Publicas, which was required in the LOI but is exclusive of the US$300,000 of staged payments.

Strategic Alliances

Kiwanda Phosphate Alliance

In December 2011, Lara completed a definitive agreement with the Kiwanda Group LLC ("Kiwanda LLC") to generate, acquire and develop phosphate projects in the Andean Region of South America. Under the terms of the agreement, Kiwanda LLC was supposed to fund a US$1,500,000 generative exploration program over three years, with US$500,000 committed in year one. Once a minimum of US$150,000 has been spent on the evaluation, exploration or acquisition of a specific project, Kiwanda LLC would either nominate it as a "Designated Project" or return it to Lara. Each Designated Project will be transferred into an operating company owned equally by Lara and Kiwanda LLC, Kiwanda Alliance (BVI) Inc. (Note 9). Kiwanda LLC agreed to invest US$5,000,000 over a four-year period (US$1,000,000 is a firm commitment) in exploration and development of the Designated Project to raise its interest to 65%. Kiwanda LLC could then further raise its interest to a total of 75% by delivering a feasibility study as defined by NI 43-101 guidelines within a further two years, subject to spending a minimum of US$2,000,000 per year. Kiwanda LLC is in default on its funding obligation for the Phosphate Alliance. Lara has provided an extension to allow them more time to raise funds for the generative exploration program.

7. EXPLORATION AND EVALUATION ASSETS (continued)

Kiwanda Coal Alliance

In July 2012 Lara completed a definitive agreement with the Kiwanda Mining Partners LP ("Kiwanda LP") to generate, acquire and develop coal projects in Peru and Colombia through an operating company, Andean Coal (BVI) Ltd., owned equally by Lara and Kiwanda LP, (Note 9). Under the terms of the agreement, Kiwanda LP was supposed to fund a US$1,800,000 generative exploration program over three years with US$600,000 committed in year one. Kiwanda LP is in default on its funding obligation for the Coal Alliance and Lara has provided an extension to Kiwanada LP to allow them more time to raise funds for the generative exploration program.

In October 2014 the Company signed a Definitive Agreement with partner Kiwanda Mines LLC ("Kiwanda") to sell the rights and options held under their Phosphate Alliance and Coal Alliance, to Australian Securities Exchange listed Phillips River Mining Limited ("Phillips River"). Lara has agreed to sell all of its direct project rights under both Alliances to Phillips River in exchange for 50% of the vend-in shares to be issued by Phillips River and a 2% production royalty. Under the terms of the agreement, Phillips River will now acquire all of the Phosphate Alliance and Coal Alliance assets and options as follows:

a) Lara's 19.9% interest in central Colombian coal producer Carbhid S.A.
b) The Coal Alliance's option to earn a 51% interest in Carbhid's Escalones mining rights.
c) The Coal Alliance's option to earn a 100% interest in the Pelaya coal exploration rights in northern Colombia.
d) The Phosphate Alliance's option to acquire a 100% interest in the Bifox phosphate mining rights in northern Chile.
e) The Phosphate Alliance's 100% owned Ki phosphate exploration rights adjacent to the Bifox mining rights.

Lara has received US$200,000 from Kiwanda LP that was due upon signing of the Heads of Agreement and is entitled to a further US$570,000 upon the earliest of either the completion of the acquisition of the assets by Phillips River or May 30, 2015. Phillips River will acquire the assets through the issue of new shares at a deemed price of Australian $0.20 each, based on an independent valuation. After payment of the amounts due to Lara, the new Phillips River shares will be issued equally to Lara (50%) and Kiwanda (50%), with 50-60% of the shares payable upon closing of the transaction and the remainder only payable subject to achieving certain production and resource definition milestones. Phillips River will assume the day-to-day management and costs of these assets, with Lara retaining the right to appoint a director to the Phillips River's board of directors. Lara is further entitled to a 2% production royalty on the Coal Alliance assets and once an annual production capacity of 50,000 tonnes has been achieved, a 2% production royalty on the Phosphate Alliance assets. Phillips River shareholders approved the transaction on May 15, 2015. The transaction is proceeding and is expected to be completed in early 2016.

(Expressed in Canadian dollars)

8. EXPLORATION EXPENDITURES

During the year ended December 31, 2015, the Company incurred the following exploration expenditures, which were expensed as incurred:

	Curionópolis Brazil	Caninde Brazil	General and other Brazil	Condoroma Peru	Corina Peru	Picha Peru	Sami Peru	General and other Peru	Total
Administrative	$ 165,211	$ 57,457	$ 141,872	$ 1,415	$ 18,359	$ 3,419	$ 30,177	$ 33,042	$ 450,952
Assays	2,431	3,230	12,216	-	-	-	-	-	17,877
Drilling	-	70,085	-	-	-	-	-	-	70,085
Field costs	116,125	13,104	29,870	209	2,743	511	3,933	15,880	182,375
Property maintenance	32,126	5,928	2,055	16	213	40	305	110	40,793
Salaries and consultants	135,821	40,821	167,226	5,203	68,360	10,949	30,918	59,290	518,588
Telecommunications	2,037	13	2,597	111	1,455	271	2,086	753	9,323
Travel and related costs	11,914	12,921	16,421	64	842	157	1,207	3,949	47,475
Trenching	-	11,199	-	-	-	-	-	-	11,199
Total expenditures	465,665	214,758	372,257	7,018	91,972	15,347	68,626	113,024	1,348,667
Recoveries	(281,907)	(111,168)	-	-	(20,040)	(15,347)	-	-	(428,462)
Net expenditures	$ 183,758	$ 103,590	$ 372,258	$ 7,018	$ 71,932	$ -	$ 68,626	$ 113,024	$ 920,205

During the quarter ended March 31, 2015 Paradigm acquired 51% of the shares of Caninde (BVI) Ltd. ("Caninde") which owns 100% of the shares of Lara Alliance Mineracao Ltda., which holds title to the Caninde Graphite Project. On November 1, 2015 the Company reacquired Canide. For the period from April 1 to October 31, 2015 the Company has deconsolidated Caninde and reported its results on an equity basis (Note 9) and as at December 31, 2015 has returned to full consolidation. Expenditures incurred on general and other projects in Brazil are for activity where Lara does not hold title. Expenditures incurred on general and other projects in Peru include costs incurred on a number of minor properties all of which were nominal.

(Expressed in Canadian dollars)

8. EXPLORATION EXPENDITURES (continued)

During the year ended December 31, 2014, the Company incurred the following exploration expenditures, which were expensed as incurred:

	Curionópolis Brazil	Caninde Brazil	General and other Brazil	Condoroma Peru	Corina Peru	Picha Peru	Sami Peru	General and other Peru	Total
Administrative	$ 222,423	$ 28,683	$ 132,588	$ 7,187	$ 13,342	$ 8,208	$ 27,952	$ 75,656	$ 516,039
Assays	88,216	423	12,162	-	-	-	-	-	100,801
Drilling	562,311	-	-	-	-	-	-	-	562,311
Field costs	264,331	20,483	46,533	4,795	3,545	11,057	2,279	14,520	367,543
Property maintenance	28,524	8,038	46,976	64	914	30,445	75,043	55,586	245,590
Salaries and consultants	146,535	24,697	165,688	6,662	22,449	15,960	37,663	270,977	690,631
Telecommunications	3,711	90	2,660	323	629	985	2,222	6,178	16,798
Travel and related costs	47,637	7,383	18,444	3,171	2,261	993	7,366	22,319	109,574
Trenching	695	-	-	-	-	-	-	-	695
Total expenditures	1,364,383	89,797	425,051	22,202	43,140	67,648	152,525	445,236	2,609,982
Recoveries	(1,364,383)	(89,797)	(508)	-	-	-	-	-	(1,454,688)
Net expenditures	$ -	$ -	$ 424,543	$ 22,202	$ 43,140	$ 67,648	$ 152,525	$ 445,236	$ 1,155,294

Expenditures incurred on general and other projects in Brazil are for activity where Lara does not hold title. Of the total Peru expenditure included in the general and other category which amounted to $445,236, $315,938was for reconnaissance and property investigations where Lara does not hold title. The remaining expenditure of $129,298 was for minor properties, where none of the individual expenditures exceeded $38,000.

(Expressed in Canadian dollars)

8. EXPLORATION EXPENDITURES (continued)

During the year ended December 31, 2015, the Company received aggregate option payments as follows:

	Gross option payments received				Recovery of exploration expenditures	Recovery of acquisition costs	Option revenue received	Total
	Shares	Cash	Advances	Total				
Caninde, Brazil	$ -	$ -	$ 111,168	$ 111,168	$ 111,168	$ -	$ -	$ 111,168
Curionópolis, Brazil	-	335,225	281,907	617,132	281,907	-	335,225	617,132
Sergipe Potash, Brazil	418,833	256,082	-	674,915	-	-	674,915	674,915
Corina, Peru	-	20,040	-	20,040	20,040	-	-	20,040
Picha, Peru	-	45,774	-	45,774	15,347	-	30,427	45,774
Total	$ 418,833	$ 657,121	$ 393,075	$ 1,469,029	$ 428,462	$ -	$ 1,040,567	$ 1,469,029

During the year ended December 31, 2014, the Company received aggregate option payments as follows:

	Gross option payments received				Recovery of exploration expenditures	Recovery of acquisition costs	Option revenue received	Total
	Shares	Cash	Advances	Total				
Caninde, Brazil	$ -	$ 221,081	$ 14,320	$ 235,401	$ 89,797	$ -	$ 145,604	$ 235,401
Copper Alliance, Brazil	-	-	77,913	77,913	508	-	77,405	77,913
Curionópolis, Brazil	-	288,465	1,215,823	1,504,288	1,364,383	-	139,905	1,504,288
Sergipe Potash, Brazil	245,400	224,882	-	470,282	-	-	470,282	470,282
Corina, Peru		160,643	-	160,643	-	160,643	-	160,643
Total	$ 245,400	$ 895,071	$ 1,308,056	$ 2,448,527	$ 1,454,688	$ 160,643	$ 833,196	$ 2,448,527

(Expressed in Canadian dollars)

9. INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES

Kiwanda Coal Alliance

The Company owns a 50% interest in Andean Coal (BVI) Ltd. ("Andean Coal"). At December 31, 2014, the Company had a net investment in Andean Coal of $409,331. During the year ended December 31, 2015, the Company made an additional investment of $2,764. The Company's share of the net loss for the year was $4,044 resulting in a net investment in Andean Coal of $408,051 at December 31, 2015.

Kiwanda Phosphate Alliance

The Company owns a 50% interest in Kiwanda Alliance (BVI) Inc. ("Kiwanda BVI"). At December 31, 2014, the Company's net investment in Kiwanda was $nil and there were accumulated unrecognized losses of $120,952. During the year ended December 31, 2015, the Company made an additional investment of $4,315. The Company's share of the net loss for the year was $83,436, resulting in an accumulated unrecognized loss of $200,073 and a net investment in Kiwanda of $nil at December 31, 2015.

Minas Dixon S.A.

At December 31, 2014 Lara had an accumulated unrecognized loss of $18,428 in Minas Dixon S.A. ("Minas ") with a net investment of $nil. During the year ended December 31, 2015, the Company made an additional investment of $54,778. The Company's share of the net loss for the year was $69,630 resulting in accumulated unrecognized loss of $33,280 and a net investment of $nil in Minas at December 31, 2015.

Caninde

On March 23, 2015, Paradigm exercised its option in connection with the earn-in agreement with respect to the Canindé Graphite Project (Note 7). As a result, the Company reduced its continuing interest in its previously wholly-owned subsidiaries Caninde (BVI) Inc. and Lara Alianca Mineraco Ltda. (collectively, "Caninde") to 49% and recognized a $4,099 loss on dilution of the former subsidiary. The Company used an effective transition date of April 1, 2015. The following table summarizes the derecognized carrying values of the assets and liabilities of Caninde at April 1, 2015:

		Caninde
Cash	$	46,678
Receivables and other current assets		20,173
Current liabilities		(58,815)
Net assets of former subsidiary		8,036
Investment in associated company		3,937
Loss on dilution of subsidiary	$	4,099

(Expressed in Canadian dollars)

9. INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

At April 1, 2015, Lara had a net investment in Caninde of $3,937 and made an additional investment of $77,224 during the period ended October 31, 2015. The Company's share of the net loss for the period was $79,015. In October 2015, Paradigm elected to terminate its option and return the 51% of the outstanding shares of Caninde that it held. The effective transition date was November 1, 2015. The following table summarizes the carrying values of the assets and liabilities of Caninde at November 1, 2015:

		Caninde
Cash	$	1,408
Receivables and other current assets		3,676
Current liabilities		(705)
Net assets of former subsidiary		4,379
Investment in associated company		2,146
Gain on reacquisition of subsidiary	$	2,233

The continuity of investment in associated companies and joint ventures is as follows:

		Minas		Kiwanda		Andean Coal		Caninde (1)		Total
Investment in associated company										
Net investment at December 31, 2013	$	-	$	105,241	$	96,349	$	-	$	201,590
Additional investment (recovery) for the year ended December 31, 2014		99,454		(144,917)		326,823		-		281,360
Share of net (loss) recovery		(95,047)		39,676		(13,841)		-		(69,212)
Prior year's loss recognized		(4,407)		-		-		-		(4,407)
Net investment at December 31, 2014	$	-	$	-	$	409,331	$	-	$	409,331
Investment at April 1, 2015		-		-		-		3,937		3,937
Additional investment for the year ended December 31, 2015		54,778		4,315		2,764		77,224		139,081
Net assets transferred to subsidiary		-		-		-		(2,146)		(2,146)
Share of net loss		(54,778)		(4,315)		(4,044)		(79,015)		(142,152)
Net investment at December 31, 2015	$	-	$	-	$	408,051	$	-	$	408,051

(1) The figures for Caninde in the above column are for the period April 1, 2015 to October 31, 2015.

As at December 31, 2015, the associated companies' and joint venture's aggregate assets, aggregate liabilities and net losses are as follows:

		Minas		Kiwanda		Andean Coal
Current assets	$	12,142	$	5,497	$	62
Non-current assets		-		-		564,477
Current liabilities		(16,754)		(5,584)		-
Loss for the year		(154,733)		(166,871)		(8,088)
The Company's ownership percentage		45%		50%		50%
The Company's share of loss for the year		(69,630)		(83,436)		(4,044)

(Expressed in Canadian dollars)

10. LONG-TERM INVESTMENTS AND LOAN RECEIVABLE

The Company has the following long-term investments in the common shares of private companies and of companies that trade on the TSX Venture Exchange and the Australian Securities Exchange. The shares have been classified as financial assets that are available-for-sale ("AFS") and are valued at their fair market values at December 31, 2015.

	Fair value December 31, 2014	Additions	Disposals	Change in fair value	Fair value December 31, 2015
Available-for-sale investments					
Aguia Resources Ltd.	$ 258,400	$ 418,833	(720,879)	$ 204,045	$ 160,399
Harvest Minerals Ltd. (formerly Avenue Resources)	18,966	-	(66,821)	47,855	-
Mezzi Holdings Ltd. (formerly CCT Capital Ltd.)	4,500	-	(4,632)	132	-
Mt. Ridley Mines Inc.	-	-	-	23,786	23,786
Horizonte Minerals Inc.	411,250	-	(224,468)	(186,782)	-
Redzone Resources Ltd.	21,250	-	-	(12,750)	8,500
Total	$ 714,366	$ 418,833	(1,016,800)	$ 76,286	$ 192,685

During the year ended December 31, 2015 the Company sold all of its holdings in Mezzi Holdings (formerly CCT Capital Ltd.), Harvest Minerals Ltd. (formerly Avenue Resources Limited) and Horizonte Minerals Inc. The Company received 11,000,000 common shares of Aguia during the year ended December 31, 2015 as condition of its option agreement with Aguia (Note 7) and sold those shares along with an additional 17,679,450 of its previously held common shares of Aguia and 8,225,000 common shares of Horizonte Minerals Inc. The total proceeds for all shares sold was $1,016,800 and the Company recorded a loss on disposal of $48,806.

In January 2014 the Company invested US$300,000 into Symerton Holding S.A. ("Symerton"). In return the Company received 150 ordinary shares (with an assessed value of $nil) in Symerton and an unsecured US$300,000 loan receivable. Symerton is a private company based in the Republic of Panama that is seeking to acquire gold projects in South America. Symerton is related to the Company as a director of the Company is a significant shareholder of Symerton. The loan was unsecured and non-interest bearing and as at December 31, 2015 management has fully impaired the loan based on expected non-recovery at that date.

(Expressed in Canadian dollars)

10. LONG-TERM INVESTMENTS AND LOAN RECEIVABLE (continued)

	Fair value December 31, 2013	Additions	Disposals	Change in fair value	Fair value December 31, 2014
Available-for-sale investments					
Aguia Resources Ltd.	$ 227,736	$ 245,400	$ -	$ (214,736)	$ 258,400
Harvest Minerals Ltd. (formerly Avenue Resources)	85,200	-	-	(66,234)	18,966
Carbhid Coal SAS	165,003	-	(165,003)	-	-
Mezzi Holdings Ltd. (formerly CCT Capital Ltd.)	1,000	-	-	3,500	4,500
Focus Graphite Inc.	52,000	-	(50,002)	(1,998)	-
Horizonte Minerals Inc.	850,000	-	(26,989)	(411,761)	411,250
Malbex Resources Inc.	2,249	-	(5,596)	3,347	-
Network Exploration Ltd.	17,500	-	(17,248)	(252)	-
Redzone Resources Ltd.	42,500	-	-	(21,250)	21,250
Total	$ 1,443,188	$ 245,400	$ (264,838)	$ (709,384)	$ 714,366

During the year ended December 31, 2014, the Company received 4,000,000 common shares of Aguia as an option payment valued at $245,400 (Note 7). In July 2014 the Company sold all of its holdings in Focus Graphite Inc., Malbex Resources Inc., Network Exploration Ltd. and 275,000 shares of Horizonte Minerals Inc. and recorded a gain on disposal of $6,084. The Company agreed to transfer its investment in Carbhid Coal SAS to Andean Coal at an agreed value of $165,003. During the year ended December 31, 2014, the Company recognized an impairment on its AFS investments totalling $729,486.

(Expressed in Canadian dollars)

11. EQUITY

Authorized

As at December 31, 2015, the authorized share capital of the Company was an unlimited number of common shares without par value.

Share Capital

During the year ended December 31, 2015, the Company issued:

- 74,999 bonus shares to the directors and employees of the Company, valued at $56,999; and,
- 241,667 common shares pursuant to the settlement of accounts payable, valued at $60,417.

During the year ended December 31, 2014, the Company issued:

- 73,332 bonus shares to the directors and employees of the Company, valued at $88,733; and,
- 60,000 common shares for gross proceeds of $37,500 pursuant to the exercise of stock options.

Stock Options

The Company has a formal stock option plan (the "Plan") that was ratified and approved by the shareholders of the Company and accepted by the TSX Venture Exchange ("TSX-V"). The Plan allows the Board of Directors to grant incentive stock options of up to 10% of its outstanding shares to officers, directors, employees and other service providers. The exercise price of each option is to be not less than the closing market price of the Company's stock on the trading day prior to the date of grant. The vesting terms are determined at the time of the option grant by the board of directors. Options granted to investor relations personnel vest in accordance with TSX-V regulations.

The changes in stock options outstanding are as follows:

	Number of Options		Weighted Average Exercise Price
Balance as at December 31, 2013	2,320,000	$	1.04
Granted	100,000		0.86
Exercised	(60,000)		(0.63)
Cancelled / expired	(285,000)		(1.06)
Balance as at December 31, 2014	2,075,000	$	1.05
Granted	1,470,000		0.25
Cancelled/expired	(885,000)		(0.80)
Balance as at December 31, 2015	2,660,000	$	0.69

(Expressed in Canadian dollars)

11. EQUITY (continued)

The following table summarizes the stock options outstanding and exercisable at December 31, 2015:

Date Granted	Expiry Date		Exercise Price	Number Outstanding	Number Exercisable
February 21, 2011	February 21, 2016	$	1.76	50,000	50,000
June 24, 2011	June 24, 2016		1.18	100,000	100,000
November 21, 2011	November 21, 2016		1.36	100,000	100,000
January 31, 2012	January 31, 2017		1.20	790,000	790,000
October 25, 2012	October 25, 2017		1.33	100,000	100,000
April 22, 2014	April 22, 2019		0.86	50,000	50,000
July 24, 2015	July 24, 2020		0.25	1,470,000	1,470,000
Total				2,660,000	2,660,000

The weighted average remaining life of the outstanding stock options is 3.03 years (2014 – 1.58 years). On February 21, 2016 50,000 options with an exercise price of $1.76 expired unexercised.

Share Purchase Warrants

The changes in share purchase warrants outstanding are as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance as at December 31, 2013	4,083,135	$	1.85
Cancelled / expired	(4,083,135)		(1.85)
Balance as at December 31, 2014 and 2015	-		-

Share-based Payments

In August 2014 the Company granted 250,000 bonus shares to certain directors and employees, valued at $190,000 or $0.76 per share. During the year ended December 31, 2015, the Company recorded share-based payments of $81,029 (2014 -$89,054) for the bonus shares vested during the year.

During the year ended December 31, 2015, the Company issued 74,999 (2014 - 73,332) bonus shares to certain directors and employees. Upon the issuance of these bonus shares, the Company recorded an adjustment to share capital of $56,999 (2014 - $88,733) or $0.76 (2014 - $1.21) per share, on the bonus shares issued.

During the year ended December 31, 2015, the Company entered into agreements with its President & CEO, Vice-President Corporate Development and former President, to settle outstanding management and consulting fees owed to them as of May 31, 2015, by making cash payments totaling $105,200 and issuing 166,667 common shares valued at $0.25 per share. Additionally, the Company agreed to settle outstanding fees owed to three current Non-Executive Directors and to terminate the payment of further directors' fees to them and two former Non-Executive Directors as of March 31, 2015, by making cash payments of $21,274

(Expressed in Canadian dollars)

11. EQUITY (continued)

and issuing 75,000 common shares valued at $0.25 per share. The Company recognized a gain of $12,083 on the settlement of these debts.

During the year ended December 31, 2015 the Company granted 1,470,000 (2014 – 100,000) stock options to certain officers, directors, consultants and employees. The options were fully vested on the grant date with an option price of $0.25 (2014 - $0.86). The fair value of the stock options granted was estimated using the Black-Scholes option pricing model with the following assumptions: a risk free interest rate of 1.43% (2014 – 1.43%); an expected dividend yield of 0% (2014 – 0%); an expected stock price volatility of 52% (2014 – 58%); an option life of 5 years (2014 – 5 years); and a forfeiture rate of 0% (2014 – 0%). Based on these assumptions the Company recorded share-based compensation expense of $137,141 (2014 – $43,635).

12. SEGMENTED INFORMATION

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

13. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Year ended December 31, 2015	Year ended December 31, 2014
Salaries, benefits and directors' fees	$ 349,000	$ 438,000
Share-based payments	171,995	36,443
	$ 520,995	$ 474,443

(Expressed in Canadian dollars)

13. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Amounts due to and from related parties as of December 31, 2015 and December 31, 2014 are as follows:

Related party balances	Service or items	December 31 2015	December 31 2014
Amounts due to:			
Chief Executive Officer	Management fees	$ 71,214	$ 59,552
Former President, Director	Fees and expense recovery	-	6,574
Vice President, Corporate Development	Management fees	30,843	26,903
Vice President, Exploration	Fees and expenses	81,816	-
Directors	Directors' fees	-	30,000
Amounts due from:			
Chief Executive Officer	Bonus share payroll expense	-	737
Vice President, Corporate Development	Bonus share payroll expense	-	1,785
Seabord Services Corp.	Deposit	10,000	10,000
Reservoir Capital Corp. *(common director)*	Expense recovery	1,199	2,166
Reservoir Minerals Inc. *(common director)*	Expense recovery	-	2,565

During the year ended December 31, 2015, the Company paid $213,600 (2014 - $213,600) to Seabord Services Corp. ("Seabord"). Seabord is a management services company controlled by a former director. Seabord provides the services of a Chief Financial Officer ("CFO"), a Corporate Secretary, accounting and administrative staff, and office space to the Company. The CFO and Corporate Secretary are employees of Seabord and are not paid directly by the Company.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2015, the Company recorded:

- a loss on sale of investments of $48,806;
- option revenue received in shares of $418,833;
- a write-off of exploration and evaluation assets of $970,593;
- share-based payments of $210,528.

During the year ended December 31, 2014, the Company:

- received 4,000,000 common shares of Aguia valued at $245,400 with respect to the option on the Sergipe Property.

15. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, which include credit risk, currency risk, market risk, interest rate risk and liquidity risk.

15. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Credit Risk

The Company's cash and cash equivalents are mainly held through large Canadian or US financial institutions and, as at December 31, 2015, are mainly held in interest-bearing accounts; accordingly, credit risk is minimized. The Company assesses the collectability of amounts owing from partners on their mineral properties and on its loans receivable and records allowances for non-collection based on management's assessment of specific accounts.

Currency Risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, Brazil, Peru and Chile. The Company funds cash calls to its subsidiary companies outside of Canada in Canadian and US dollars and a portion of its expenditures are also incurred in the local currencies. The risk is that there could be a significant change in the exchange rate of the Canadian dollar relative to the US dollar, the Brazilian real and the Peruvian sol. A significant change in these rates could have an adverse effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

As at December 31, 2015, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars, Brazilian reals, Peruvian sols and Chilean pesos:

	US dollars	Brazilian reals	Peruvian sols	Chilean pesos	Total
Cash and cash equivalents	348,001	163,238	5,883	-	
Receivables	-	65,802	4,942	-	
Accounts payable and accrued liabilities	(2,043)	(288,346)	(27,872)	(9,412,473)	
Net exposure	345,958	(59,306)	(17,047)	(9,412,473)	
Canadian dollar equivalent	$479,809	$ (20,751)	$ (6,839)	$(4,077)	$ 448,142

Based on the above net exposures as at December 31, 2015 and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the above foreign currencies would result in an increase/ decrease of approximately $44,800 (2014 - $53,900) to the net profit or loss.

Market and Interest Rate Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in values as a result of volatility of quoted market prices. Interest rate risk is the risk that the fair value of cash flows from a financial instrument will fluctuate due to changes in market interest rates. Lara holds AFS investments which have market risk and have declined in value since acquisition, as a result of the weak equity markets for exploration companies. The Company's cash and cash equivalents are held mainly in interest-bearing bank accounts, and therefore there is currently minimal interest rate risk.

(Expressed in Canadian dollars)

15. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company manages liquidity risk through the management of its capital resources as outlined below.

Management of Capital

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties. The Company relies mainly on equity issuances to raise new capital and on entering into joint venture agreements on certain properties, which enables it to conserve capital and to reduce risk. Lara can liquidate long-term investments in order to raise additional cash resources. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents. The Company prepares annual estimates of exploration and administrative expenditures and monitors actual expenditures compared to the estimates to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to invest its cash in savings accounts or highly liquid short-term deposits with terms of one year or less and which can be liquidated after 30 days without penalty. The Company may have to raise additional capital resources to fund its exploration programs and to cover its administrative costs for the next twelve months.

16. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

	December 31, 2015		
Financial instruments	Available-for-sale investments	Loans and receivables	Other financial liabilities
Cash and cash equivalents	$ -	$ 1,017,726	$ -
Restricted cash equivalents	-	46,000	-
Accounts receivable	-	1,125	-
Long-term investments	192,685	-	-
Accounts payable and accrued liabilities	-	-	(280,054)
	$ 192,685	$ 1,064,851	$ (280,054)

(Expressed in Canadian dollars)

16. FINANCIAL INSTRUMENTS (continued)

Financial instruments	December 31, 2014 Available-for-sale investments	Loans and receivables	Other financial liabilities
Cash and cash equivalents	$ -	$ 954,509	$ -
Restricted cash equivalents	-	46,000	-
Accounts receivable	-	43,488	-
Loan receivable	-	348,780	-
Long-term investments	714,366	-	-
Accounts payable and accrued liabilities	-	-	(338,746)
	$ 714,366	$ 1,392,777	$ (338,746)

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 consolidated statements of financial position are summarized in levels of fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2015				
Long-term investments	$ 192,685	$ -	$ -	$ 192,685
December 31, 2014				
Long-term investments	$ 714,366	$ -	$ -	$ 714,366

(Expressed in Canadian dollars)

17. INCOME TAXES

As at December 31, 2015 and 2014, no deferred tax assets are recognized on the following temporary differences as it is not probable that sufficient future taxable profit will be available to realize such assets:

	December 31 2014	December 31 2014
Mineral properties	$ 2,920,249	$ 3,031,787
Tax loss carry-forwards	4,113,958	4,331,282
Other	571,728	415,050
Unrecognized deferred tax assets	$ 7,605,935	$ 7,778,118

The Company has non-capital losses of approximately $9.9 million (2014 - $9.8 million) and $5.9 million (2014 - $6.8 million) to reduce future income tax in Canada and Peru respectively. The losses in Canada expire between 2025 and 2035 and in Peru, between 2016 and 2019.

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rate of 26.0% (2014 –26.0%) as follows:

	December 31 2015	December 31 2014
Pre-tax loss for the year	$ (2,145,272)	$ (2,556,354)
Expected income tax recovery	(557,771)	(664,652)
Non-deductible items	729,715	239,054
Deferred income tax assets not recognized	(171,944)	425,598
Income tax recovery	$ -	$ -

Tax attributes are subject to review, and potential adjustments, but tax authorities.

18. EVENTS AFTER THE REPORTING DATE

In February 2016, Tessarema completed permitting for pilot mining, granted Lara a 5% royalty on any pilot scale production (Note 7), and made a further US$500,000 payment to Lara. As a result Tessarema has increased its beneficial interest in the Curionopolis Copper-Gold Project in northern Brazil to 60%.