

Lara Exploration Ltd.

(An Exploration Stage Company)

Interim Consolidated Financial Statements

Three Months Ended March 31, 2007

(Unaudited – Prepared in accordance with Canadian GAAP)

(Expressed in Canadian dollars)

The accompanying unaudited interim consolidated financial statements of Lara Exploration Ltd. (the “Company”) for the three months ended March 31, 2007 have been prepared by management and approved by the Board of Directors of the Company. These interim consolidated financial statements have not been reviewed by the Company’s external auditors.

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Interim Consolidated Balance Sheets

As At March 31, 2007

(Unaudited – Prepared in accordance with Canadian GAAP)

(Expressed in Canadian Dollars)

	March 31, 2007	December 31, 2006
Assets		<i>(Restated – Note 2b)</i>
Current assets		
Cash and cash equivalents	\$ 321,971	\$ 420,966
Short-term investments	3,511,930	3,638,001
Receivables	152,457	107,442
Prepaid expenses and deposits	43,765	29,586
	4,030,123	4,195,995
Furniture and equipment	69,536	67,250
Mineral properties (Note 4)	436,778	468,698
	\$ 4,536,437	\$ 4,731,943
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 92,992	\$ 65,099
Shareholders' Equity		
Share capital (Note 5)	6,044,237	5,916,738
Contributed Surplus	6,961,672	6,961,672
Deficit	(8,562,464)	(8,211,566)
	4,443,445	4,666,844
	\$ 4,536,437	\$ 4,731,943

Nature of operations (Note 1)

Subsequent events (Note 7)

Approved by the Board of Directors

Signed: “Michael D. Winn” Director

Signed: “Narinder Nagra” Director

See accompanying notes to the interim consolidated financial statements.

LARA EXPLORATION LTD.

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Interim Consolidated Statements of Loss, Comprehensive Loss and Deficit
Three Months Ended March 31, 2007 and 2006
(Unaudited – Prepared in accordance with Canadian GAAP)
(Expressed in Canadian Dollars)

	2007	2006
		<i>(Restated – Note 2b)</i>
Expenses		
Amortization	\$ 1,890	\$ 14,880
Consultants(Note 6e)	7,790	50,718
Directors remuneration (Note 6e)	-	128,485
Management fees (Note 6e)	28,000	153,459
Office, rent and administrative services (Note 6e)	46,940	256,507
Professional fees	34,049	119,523
Shareholder information	11,892	2,896
Transfer agent and filing fees	7,192	33,189
Travel and related costs	17,109	26,715
Loss before other items	(154,862)	(786,372)
Other income(expenses)		
Exploration expenses	(231,401)	(122,011)
Foreign exchange	(2,668)	(460)
Interest income	38,033	10,667
	(196,036)	(111,804)
Loss and comprehensive loss for the period	(350,898)	(898,176)
Deficit - Beginning of period:		
As previously reported	(7,764,511)	(5,892,611)
Change in accounting for exploration expenses (Note 2b)	(447,055)	-
As restated	(8,211,566)	(5,892,611)
Deficit - End of period	\$ (8,562,464)	\$ (6,790,787)
Basic and diluted loss per share	\$ (0.02)	\$ (0.11)
Weighted average number of common shares outstanding	15,487,542	8,863,571

See accompanying notes to the interim consolidated financial statements.

LARA EXPLORATION LTD.

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Interim Consolidated Statements of Cash Flows
Three Months Ended March 31, 2007 and 2006
(Unaudited – Prepared in accordance with Canadian GAAP)
(Expressed in Canadian Dollars)

	2007	2006
		<i>(Restated – Note 2b)</i>
Cash flows from operating activities		
Loss for the period	\$ (350,898)	\$ (898,176)
Items not affecting cash		
Amortization	1,890	14,880
Stock-based compensation	-	486,429
Changes in non-cash working capital items		
Accounts receivable	(45,015)	(16,180)
Prepaid expenses	(14,179)	(13,662)
Accounts payable and accrued liabilities	27,893	26,667
	(380,309)	(400,042)
Cash flows from investing activities		
Redemption of short-term investments	126,071	100,000
Mineral property acquisition costs	(48,914)	-
Mineral property option payments received	80,834	-
Deferred acquisition costs	-	13,000
Purchase of furniture and equipment	(4,176)	(20,418)
	153,815	92,582
Cash flows from financing activities		
Advances from related party	-	57,676
Issuance of shares for cash	127,499	2,965,312
	127,499	3,022,988
Increase (decrease) in cash and cash equivalents	(98,995)	2,715,128
Cash and cash equivalents - Beginning of period	420,966	51,287
Cash and cash equivalents - End of period	\$ 321,971	\$ 2,766,415
Supplemental cash flow information		
Interest received	\$ 2,733	\$ 10,667

See accompanying notes to the interim consolidated financial statements.

LARA EXPLORATION LTD.

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Notes to the Interim Consolidated Financial Statements
Three Months Ended March 31, 2007
(Unaudited – Prepared in accordance with Canadian GAAP)
(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Lara Exploration Ltd. (“the “Company”) was incorporated under the *Company Act of British Columbia* (now the *Business Corporations Act* (British Columbia)) on March 31, 2003.

The Company’s principal business is mineral exploration in South America with properties in Peru and Brazil.

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal and recurring adjustments considered necessary for fair presentation of the results for the interim period. Operating results for the three months ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. These interim consolidated financial statements follow the same accounting policies as the annual financial statements of the Company, except as noted below. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements, and notes thereto, for the year ended December 31, 2006.

Changes in Accounting Policies

- a) The Company has adopted the following CICA handbook guidelines effective for the Company’s first quarter commencing January 1, 2007:
 - i) Section 1530 – Comprehensive Income. Comprehensive income is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments.
 - ii) Section 3855 – Financial Instruments – Recognition and Measurement. Section 3855 requires that all financial assets, except those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. Investments classified as available-for-sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as the comprehensive income or loss. Investments subject to significant influence are not adjusted to fair market value.
 - iii) Section 3865 – Hedging. Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed.

The adoption of Sections 1530, 3855 and 3865 does not impact the opening consolidated balance sheet of the Company as at December 31, 2006 or have any impact on the Company’s financial statements for the three months ended March 31, 2007 and 2006.

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2. BASIS OF PRESENTATION CONTINUED

- b) Effective January 1, 2007, the Company changed its accounting policy for mineral properties from deferring exploration costs directly related to active investigations of mineral properties to expensing such costs until such time as their development potential is evidenced by a positive economic analysis of the project. The change is being made to facilitate consistent accounting policies amongst all of the companies in the consolidated group as the accounting policy for mineral properties in the foreign jurisdictions that the Company operates requires that exploration costs be expensed. This change has been applied retroactively and the comparative figures in the consolidated financial statements have been restated. The effect of this change on the balance sheet is to decrease mineral properties and increase the accumulated deficit by \$447,055 as at December 31, 2006. The effect of this change on the statement of loss and comprehensive loss is to increase exploration expenses, loss and comprehensive loss for the three months ended March 31, 2007 by \$46,150 (2006 - \$45,160). There was no change to the loss per share for the three months ended March 31, 2007 (2006 – increased the loss per share by \$0.01).

3. COMPARITIVE FIGURES

Certain comparative figures for three months ended March 31, 2006 have been reclassified to conform with the current period's presentation.

4. MINERAL PROPERTIES

	Brazil	Peru	Total
Balance, December 31, 2005	\$ -	\$ 373,300	\$ 373,300
Acquisition costs	267,417	-	267,417
Option payments received	(22,019)	(150,000)	(172,019)
Balance, December 31, 2006	245,398	223,300	468,698
Acquisition costs	48,914	-	48,914
Option payments received	(80,834)	-	(80,834)
Balance, March 31, 2007	\$ 213,478	\$ 223,300	\$ 436,778

a) Brazil

i) Campos Verdes Gold Project

Campos Verdes gold project comprises fifteen exploration licenses covering a total of 26,000 hectares located in Goáis State. Ten of the properties were acquired pursuant to an option agreement dated April 5, 2005. During 2006, the Company made a payment of US\$10,000 against this agreement. The Company must pay to the optionor a further US\$98,500 for each

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4. MINERAL PROPERTIES CONTINUED

property that is put into production on a commercial scale. Three of these licenses will be subject to renewal in June 2007, while the remaining seven licenses will be subject to renewal in September 2009. Exploration expenditures incurred to March 31, 2007 total \$335,324.

The Company signed a Property Option and Joint Venture Agreement (the "Agreement") on February 27, 2007 with CCT Capital Ltd., ("CCT") whereby CCT may earn a 70% interest in the Company's Campos Verdes gold project by paying US\$50,000 on signing (received) and incurring a total of US\$2 million of expenditures on the property within a three year period as follows:

- US\$500,000 on or before the first anniversary of the effective date (February 27, 2008);
- US\$700,000 on or before the second anniversary of the effective date (February 27, 2009); and
- US\$800,000 on or before the third anniversary of the effective date (February 27, 2010).

ii) Colorado do Oeste

Pursuant to an option agreement dated July 6, 2005, the Company was granted an option to acquire certain properties located in the State of Rondônia, comprised of two areas covering 10,000 hectares. In order to exercise its option, the Company must pay to the optionor a total of US\$170,000 (US\$10,000 paid to date) as follows:

- US\$5,000 within 30 days of signing agreement (paid);
- US\$5,000 upon completion of due-diligence (paid);
- US\$20,000 on first anniversary of renewal of the exploration license;
- US\$20,000 on second anniversary of renewal of the exploration license;
- US\$20,000 on third anniversary of renewal of the exploration license;

and must incur a minimum of US\$310,000 in exploration expenditures (\$136,830 incurred to March 31, 2007).

iii) Araguaia Nickel Project

The Project comprises 301,000 hectares of exploration claims and licenses located in Pará State. Forty-three thousand hectares of these mineral rights were optioned to Falconbridge Brasil Ltda, now part of Xstrata plc ("Xstrata"), whereby the optionee had the right to earn a 70% interest in these mineral rights by paying US\$110,000 (US\$40,000 paid) to the Company and by incurring at least US\$3.89 million of exploration expenditures (US\$296,000 incurred) by June, 2009. Xstrata relinquished its option during the period.

iv) São Lourenço Tin Mine

The Company entered into an option agreement to purchase the São Lourenço tin mine on January 29, 2007. The São Lourenço tin mine comprises seven mining licenses covering a total of 3,549 hectares. The properties will be held in the name of a joint venture company which will be owned 80% by the Company. The joint venture company will pay US\$75,000 in staged lease payments over three years (US\$25,000 paid to date). The joint venture company has up to three years from the date of signing to exercise its option to acquire the mineral rights by making a one-time payment of US\$1 million.

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4. MINERAL PROPERTIES CONTINUED

The payment schedule for the staged lease payment is as follows:

- US\$12,500 on signing of the agreement (paid)
- US\$12,500 after 100 days of signing the agreement (paid)
- US\$20,000 on the first anniversary of signing the agreement
- US\$30,000 after the second anniversary of signing the agreement

b) Peru

Lara Oxide Copper Project

Lara indirectly owns a 100% interest in three mining petitions comprising 1,800 hectares through its wholly-owned subsidiary. Pursuant to an underlying finder's fee agreement dated October 5, 1994, the subsidiary agreed to make staged cash payments to an unrelated third party ("the Vendor") in the aggregate amount of US\$55,000 over a period of four years, which amount has been paid. The Company is also obligated to pay the Vendor a further US\$500,000 on commencement of commercial production from any mineral deposits within the claim area.

On November 1, 2005, the Company signed a binding letter of intent with Solid Resources Ltd. (TSX-V:SRW) ("Solid Resources") which grants Solid Resources the right to earn an initial 55% interest in the Lara Prospect. Under the agreement, Solid Resources must, over a three year period, make staged cash payments to the Company totaling \$500,000 and complete exploration expenditures of \$2 million, including a minimum of 8,000 meters of drilling, to earn its initial interest.

The cash payments are due as follows:

- November 1, 2005 - \$25,000 (received);
- December 30, 2005 - \$25,000 (received);
- July 10, 2006 - \$50,000 (received);
- November 1, 2006 - \$100,000 (received);
- November 1, 2007 - \$100,000; and
- November 1, 2008 - \$200,000.

Subsequent to earning a 55% interest, Solid Resources can then elect to earn a further 20% interest by producing a bankable feasibility study and by paying \$1,500,000 to the Company by November 1, 2010.

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4. MINERAL PROPERTIES CONTINUED

c) Exploration expenses

	Three Months Ended March 31, 2007		
	Brazil	Peru	Total
Assays	\$ 18,084	\$ -	\$ 18,084
Field costs	15,388	-	15,388
Geological studies	127,012	-	127,012
Office and administrative	42,773	-	42,773
Property maintenance costs	-	2,222	2,222
Telecommunications	5,094	-	5,094
Travel and related costs	20,828	-	20,828
	\$ 229,179	\$ 2,222	\$ 231,401

5. CAPITAL STOCK

a) Authorized:

Unlimited common shares without par value

Unlimited first preferred shares without par value

Unlimited second preferred shares without par value

b) Issued and outstanding:

	Common Shares	
	Number	Amount
Balance, December 31, 2006	15,379,001	\$ 5,916,738
Issued on exercise of share purchase warrants	170,000	127,500
Balance, March 31, 2007	15,549,001	\$ 6,044,238

c) Share purchase warrants outstanding as at March 31, 2007 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2006	3,400,000	\$0.75
Exercised	(170,000)	\$0.75
Balance, March 31, 2007	3,230,000	\$0.75

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5. CAPITAL STOCK CONTINUED

Expiry Date	Number of Warrants	Exercise Price
February 15, 2008	3,215,000	\$0.75
November 17, 2008	15,000	\$1.30
	3,230,000	\$0.75

d) Stock options

There were no stock options issued or exercised during the period.

The following table summarizes the stock options outstanding and exercisable at March 31, 2007, with a weighted average life of 4 years:

	Number Outstanding	Exercise Price	Number Exercisable	Expiry Date
August 19, 2004	45,000	\$ 0.40	45,000	May 30, 2010
January 11, 2006	250,000	\$ 0.51	250,000	January 11, 2011
March 16, 2006	715,000	\$ 1.35	715,000	March 16, 2011
July 10, 2006	250,000	\$ 1.10	175,000	July 10, 2011
November 9, 2006	25,000	\$ 1.03	25,000	November 9, 2011
December 18, 2006	25,000	\$ 1.45	25,000	December 18, 2011
	1,310,000	\$ 1.10	1,235,000	

e) Stock-based compensation and contributed surplus

Using the fair value method for stock-based compensation, the Company recorded a charge to earnings of \$Nil (2006 - \$486,429) for the three months ended March 31, 2007, with the offsetting amount recorded as contributed surplus. This amount was determined using the Black-Scholes option pricing model, assuming no dividends were paid, and based on a weighted average volatility of the Company's share price of 75%, an annual risk-free interest rate of 3.5% with an expected option life of two years.

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5. CAPITAL STOCK CONTINUED

Stock-based compensation expense relates to the following expense categories		
	2007	2006
Administrative	\$ -	\$ 192,727
Consultants	-	41,758
Directors' remuneration	-	128,485
Management fees	-	123,459
	\$ -	\$ 486,429

f) Escrow shares

At March 31, 2007 a total of 1,800,001 of the Company's issued common shares were held in escrow. The remaining escrowed shares will be released evenly every six months to April 30, 2008.

6. RELATED PARTY TRANSACTIONS

The Company pays Quest Management Corp. ("Quest Management"), a subsidiary of Quest Capital Corp. ("Quest"), and related by virtue of a Director in common and an officer of Quest who is a Director of the Company for office rent and supplies..

For the three months ended March 31, 2007, Quest Management charged the Company \$6,299 for office rent and supplies. The Company had an outstanding payable of \$1,304 to Quest Management at March 31, 2007.

7. SUBSEQUENT EVENTS

Subsequent to March 31, 2007, the Company entered into the following transactions:

- Issued 35,000 common shares pursuant to the exercise of share purchase warrants for proceeds totaling \$26,250.
- Granted 75,000 stock options exercisable at \$1.32 per share for a period of five years to an officer of the Company.
- Signed a letter of intent on April 19, 2007 to create a joint venture to acquire properties and explore in the Tapajós District in Brazil. A new company, T'Gold Mineração Ltda ("T'Gold") will be formed as a joint venture vehicle that will be owned 50% by the Company. The initial property portfolio will include 44,800 hectares of exploration claims which will be contributed by third parties who will be the other 50% joint venture party. The Company will contribute up to US\$300,000 in exploration expenditures in 2007 and 2008. T'Gold will pay a 1.5% net smelter royalty to one of the third parties on any production from certain of the properties that are being contributed, but may buy back half of that royalty for US\$750,000. The agreement is subject to title due-diligence and the approval of the board of directors of the Company.