

Lara Exploration Ltd.

(An Exploration Stage Company)

Interim Consolidated Financial Statements
Three Months Ended March 31, 2009
(Unaudited – Prepared in accordance with Canadian GAAP)
(Expressed in Canadian Dollars, unless otherwise stated)

The accompanying unaudited interim consolidated financial statements of Lara Exploration Ltd. (the “Company”) for the three months ended March 31, 2009 have been prepared by management and approved by the Board of Directors of the Company. In accordance with National Instrument 51-102, management advises that 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

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

	March 31, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	\$ 2,740,917	\$ 3,428,859
Receivables	344,555	368,638
Prepaid expenses and deposits	58,925	43,019
Current income tax receivable	5,205	-
	3,149,602	3,840,516
Furniture and equipment (Note 4)	130,222	136,958
Long-term investments (Note 5)	3,194,354	3,328,206
Mineral properties (Note 6)	132,757	114,442
Future income tax asset	254,795	220,100
	\$ 6,861,730	\$ 7,640,222
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 149,512	\$ 145,721
Current income taxes payable	-	254,795
	149,512	400,516
Shareholders' equity		
Share capital (Note 8)	8,852,146	8,852,146
Contributed surplus (Note 8)	7,357,209	7,331,391
Accumulated other comprehensive income	(1,242,734)	(1,114,596)
Deficit	(8,254,403)	(7,829,235)
	6,712,218	7,239,706
	\$ 6,861,730	\$ 7,640,222

Nature of operations (Note 1)

Approved by the Board of Directors:

Signed: "*Michael Winn*" _____ Director

Signed: "*Miles Thompson*" _____ Director

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

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Interim Consolidated Statements of Operations and Comprehensive Loss

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

	Three months ended March 31,	
	2009	2008
Exploration expenditures (Note 7)	\$ 333,845	\$ 372,407
General & administrative expenses		
Amortization	373	380
Management fees	24,712	24,122
Office, rent and administrative services	53,628	41,926
Professional fees	12,279	29,996
Shareholder information and investor relations	2,765	39,107
Stock-based compensation	25,818	11,820
Transfer agent and filing fees	9,303	13,071
Travel and related costs	9,079	12,223
	137,957	172,645
Loss before other items	(471,802)	(545,052)
Other income (expenses)		
Unrealized loss on change in fair value of derivative financial instruments (Note 5)	(1,764)	(5,770)
Foreign exchange gain (loss)	8,522	(5,051)
Interest income	2,800	44,635
Other income	6,331	-
	15,889	33,814
Loss before income taxes	(455,913)	(511,238)
Future income tax recovery	30,745	-
Net loss for the period	\$ (425,168)	\$ (511,238)
Other comprehensive loss		
Net loss for the period	\$ (425,168)	\$ (511,238)
Change in fair value of financial instruments (Note 5)	(132,088)	(4,000)
Future income tax recovery	3,950	-
Comprehensive loss	\$ (553,306)	\$ (515,238)
Basic and diluted loss per share	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding	19,246,501	18,856,116

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

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Interim Consolidated Statements of Deficit and Accumulated Other Comprehensive Income

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

	March 31, 2009	March 31, 2008
Deficit, beginning of period	\$ (7,829,235)	\$ (10,240,057)
Net income (loss) for the period	(425,168)	(511,238)
Deficit, end of period	\$ (8,254,403)	\$ (10,751,295)
Accumulated other comprehensive income (loss), beginning of period	\$ (1,114,596)	\$ 42,076
Change in fair value of financial instruments, net of future income taxes (Note 5)	(128,138)	(4,000)
Accumulated other comprehensive loss, end of period	\$ (1,242,734)	\$ (38,076)

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

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Interim Consolidated Statements of Cash Flows

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

	Three months ended	
	March 31,	
	2009	2008
Cash flows from (used in):		
Operating activities		
Net loss for the period	\$ (425,168)	\$(511,238)
Items not affecting cash:		
Amortization	6,736	2,446
Stock-based compensation	25,818	11,820
Change in fair value of held for trading		
Investments	1,764	5,770
Future income tax recovery	(30,745)	-
Changes in non-cash working capital items:		
Receivables	18,878	56,103
Prepaid expenses and deposits	(15,906)	(15,517)
Accounts payable and accrued liabilities	3,791	(173,345)
Current income tax payable	(254,795)	-
Exploration advances	-	(128,270)
	(669,627)	(752,231)
Investing activities		
Mineral property acquisition costs	(18,315)	(20,000)
Purchase of furniture and equipment	-	(529)
	(18,315)	(20,529)
Financing activities		
Issuance of shares for cash	-	1,061,250
	-	1,061,250
Increase (decrease) in cash and cash equivalents	(687,942)	288,490
Cash and cash equivalents, beginning of period	3,428,859	4,734,297
Cash and cash equivalents, end of period	\$ 2,740,917	\$ 5,022,787
Supplemental cash flow information		
Interest received	\$ 233	\$ 44,384
Cash income taxes paid	260,000	-

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

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

Three Months Ended March 31, 2009

1. NATURE OF OPERATIONS

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 identification, acquisition, exploration and development of mineral exploration properties in South America, currently with properties in Brazil, Peru and Colombia. The Company's continuing operations and ability to meet its mineral property commitments are dependant upon the continued support of existing and future joint venture partners and the ability of the Company to raise additional financing.

The Company is currently exploring its mineral properties and has not yet determined whether its mineral properties contain reserves that are economically recoverable. The recoverability of amounts capitalized for mineral properties is dependent upon the discovery of sufficient economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral properties, the ability of the Company to arrange appropriate financing to complete the development of the mineral properties and upon future profitable production or proceeds from the sale of the mineral properties.

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 periods presented. Operating results for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. These interim consolidated financial statements follow the same accounting policies as the annual financial statements of the Company for fiscal 2008. Accordingly, these financial statements should be read in conjunction with the audited annual financial statements, and notes thereto, for the year ended December 31, 2008.

3. RECENT ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company has completed a scoping study which identifies the mandatory and optional exemptions from retrospective application of IFRS accounting policies and provides a comparison of the Company's current accounting policies with those prescribed under IFRS. The Company is reviewing and assessing this information but has not determined the impact on the consolidated financial statements at this time.

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

Three Months Ended March 31, 2009

4. FURNITURE AND EQUIPMENT

	March 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 83,600	\$ 24,847	\$ 58,753
Field equipment	86,670	15,201	71,469
	\$ 170,270	\$ 40,048	\$ 130,222

5. LONG-TERM INVESTMENTS

The Company's long-term investments are comprised of 1,180,872 common shares of Sprott Resource Corp. (SRC) and 200,000 common shares of CCT Capital Ltd. ("CCT") as well as 200,000 share purchase warrants of CCT. The share purchase warrants entitle the holder to purchase one common share of CCT at a price of \$0.33 per share until August 7, 2009. The Company has classified the investments in common shares of SRC and CCT as available for sale investments. The CCT share purchase warrants are derivative financial instruments and by default must be classified as held for trading investments.

During the three months ended March 31, 2009, the Company recorded an unrealized loss of \$132,088 on the common shares designated as available for sale which was included in other comprehensive income for the period. The Company recorded a change in fair value of \$1,764 on the CCT share purchase warrants designated as held for trading, which was included in the net loss for the period.

	March 31, 2009		
	Cost	Fair Value	Accumulated Unrealized Gain(Loss)
Available for sale investments			
CCT – 200,000 common shares	\$ 21,924	\$ 6,000	\$ (15,924)
SRC – 1,180,872 common shares	4,623,114	3,188,354	(1,434,760)
	4,645,038	3,194,354	(1,450,684)
Held for trading investments			
CCT – 200,000 share purchase warrants	11,076	-	(11,076)
	\$ 4,656,114	\$ 3,194,354	\$ (1,461,760)

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

Three Months Ended March 31, 2009

6. MINERAL PROPERTIES

	Brazil		Peru		Total
Balance, December 31, 2008	\$	114,441	\$	1	\$ 114,442
Acquisition costs		18,315		-	18,315
Option payments received				-	
Balance, March 31, 2009	\$	132,756	\$	1	\$ 132,757

Brazil

Araguala Nickel Project

In the first quarter of 2009, the Company reduced its land holdings on this project to 45,000 hectares from approximately 310,000 hectares.

Campos Verdes Gold Project

In the first quarter of 2009, the Company reduced its land holdings in this project to 25,000 hectares from 32,900 hectares.

Curionópolis

In January 2008, the Company signed an option agreement to acquire a 100% interest in the Curionópolis Property located in Pará State, Brazil whereby the Company has the option to acquire 100% of the Curionópolis Property from Redrock Exploration (BVI) Ltd. ("Redrock") and its Brazilian subsidiaries for US\$630,000 in cash payments, US\$2,700,000 in exploration expenditures staged over three years and royalties. The royalties comprise a payment of 50% of net income on income derived from the sale of iron or iron mining rights and a 2% net smelter return royalty on any other metals produced. The Company has the option to acquire half of the net smelter royalty for US\$1,500,000. The option agreement is subject to publication of the exploration license covering the property and regulatory approval. Regulatory approval has been received; publication of the license is still pending. Redrock and its Brazilian subsidiaries are companies wholly-owned and controlled by the Company's President and an employee of the Company.

São Lourenço Tin Mine

On January 29, 2007, the Company signed a lease with an option to purchase agreement with Mineração Céu Azul Ltda. (which currently leases the mine), Companhia de Mineração São Lourenço Ltda. (titleholder of the mineral rights) and Companhia Industrial Amazonense (owner of preferential purchase rights of tin production). Under the terms of this agreement, the Company was required to make approximately US\$73,500 (US\$48,000 paid) in staged lease payments over three years and make a one-time payment of US\$1 million by January 2010 to exercise its option to acquire the mineral rights. Subsequent to December 31, 2008, the Company agreed to an amendment, whereby it extended its option for an additional two years by making payments of US\$15,000 (paid), US\$30,000 and US\$55,000 in January 2009, January 2010 and January 2011, respectively, and by making a one-time payment of US\$1 million by May 2012. The São Lourenço mine lies within the frontier zone and will thus be subject to certain foreign ownership restrictions at transfer and, accordingly, the Company does not expect to be able to directly own a majority interest in the mine at that time.

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

Three Months Ended March 31, 2009

6. MINERAL PROPERTIES (Continued)

Serra Azul

On March 15, 2007, the Company entered into an option agreement to purchase three mineral licenses in Rondônia State covering 11,608 hectares. In order to exercise the option, the Company was required to make cash payments of US\$5,000 for the transfer of each license (US\$10,000 paid) and a success fee of US\$100,000 for each license that is converted into a mining license and put into production. In the event that any of the licenses produce either diamonds or tin (and related minerals), a 0.5% royalty would have applied in each case for each license. Each of these royalties may have been purchased for US\$500,000. Subsequent to December 31, 2008, the Company terminated its option and forfeited all rights, title and interest on the properties and, accordingly, wrote-off the mineral property acquisition costs in the fourth quarter of 2008.

Brazil and Colombia

Strategic Alliance

In November 2008, the Company signed a definitive agreement (the "Alliance Agreement") with Sprott to form a strategic alliance (the "Alliance") to acquire phosphate, potash and other fertilizer feedstock mineral projects. Under the terms of the Alliance Agreement, the initial interest of the Company and Sprott is 50% each in a newly incorporated company, Lara Alliance (BVI) Ltd. (the "Venture"). In the first year, the Company will have a deemed initial contribution of US\$500,000 and Sprott will contribute US\$500,000 cash for their respective 50% interests in the Venture. Sprott may at its election invest a further US\$2,500,000 over the following two-year period to earn up to a 63% interest in the Venture, subject to the Company's option to contribute funds to maintain a 50% interest in the Venture. At March 31, 2009, Sprott's share of first year exploration expenditures was \$444,604.

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

Three Months Ended March 31, 2009

7. EXPLORATION EXPENDITURES

Three Months Ended March 31, 2009								
	Campos Verdes	Curipolis	Sao Lourenco	Other	Total Brazil	Peru	Total	
Assays	\$ 234	\$ 11,267	\$ 57,036	\$ 67	\$ 68,604	\$ -	\$ 68,604	
Field costs	297	5,291	17,950	85	23,623	-	23,623	
Salaries and consultants	5,251	24,615	33,298	1,497	64,661	7,612	72,273	
Office and administrative	9,848	12,593	36,914	8,985	68,340	3,338	71,678	
Property maintenance costs	32,610	11,239	17,891	2,372	64,112	-	64,112	
Telecommunications	1,023	1,456	3,870	290	6,639	-	6,639	
Travel and related costs	3,122	8,178	13,841	1,775	26,916	-	26,916	
	52,385	74,639	180,800	15,071	322,895	10,950	333,845	
Recoveries	-	-	-	-	-	-	-	
	\$ 52,385	\$ 74,639	\$ 180,800	\$ 15,071	\$ 322,895	\$ 10,950	\$ 333,845	

Three Months Ended March 31, 2008								
	Campos Verdes	Colorado d'Oeste	Sao Lourenco	T'Gold	Other	Total Brazil	Peru	Total
Assays	\$ 5,367	\$ -	\$ 1,042	\$ 14,443	\$ -	\$ 20,852	\$ 8,540	\$ 29,392
Field costs	31,858	1,281	12,744	14,513	6,526	66,922	-	66,922
Salaries and consultants	31,471	33,199	19,876	42,543	30,031	157,120	14,047	171,167
Office and administrative	4,924	40,114	2,675	335	46,989	95,037	3,325	98,362
Property maintenance costs	20,903	26,981	49	39	21,721	69,693	-	69,693
Telecommunications	261	-	217	185	-	663	-	663
Travel and related costs	709	1,416	4,098	11,590	2,860	20,673	64	20,737
Vehicle	-	-	-	-	-	-	405	405
Drilling	43,336	-	-	-	-	43,336	-	43,336
	138,829	102,991	40,701	83,648	108,127	474,296	26,381	500,677
Recoveries	(128,270)	-	-	-	-	(128,270)	-	(128,270)
	\$ 10,559	\$ 102,991	\$ 40,701	\$ 83,648	\$ 108,127	\$ 346,026	\$ 26,381	\$ 372,407

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

March 31, 2009

8. SHARE CAPITAL

Issued and outstanding

	Common Shares		
	Number of Shares	Amount	Contributed Surplus
Balance, December 31, 2008	19,246,501	\$ 8,852,146	7,331,391
Stock-based compensation	-	-	25,818
Balance, March 31, 2009	19,246,501	\$ 8,852,146	\$ 7,357,209

Share purchase warrants

The following share purchase warrants are outstanding as at March 31, 2009.

Expiry Date	Exercise Price	Number of Warrants
September 28, 2009	\$ 1.20	1,597,500

Stock options

The following table summarizes the stock options outstanding and exercisable at March 31, 2009 with a weighted average life of 3.18 years:

Issue Date	Number Outstanding	Exercise Price	Number Exercisable	Expiry Date
January 11, 2006	250,000	\$ 0.51	250,000	January 11, 2011
March 16, 2006	645,000	1.35	645,000	March 16, 2011
July 10, 2006	250,000	1.10	250,000	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
May 14, 2007	75,000	1.32	50,000	May 14, 2012
October 3, 2007	150,000	1.22	150,000	October 3, 2012
June 18, 2008	410,000	0.80	205,000	October 16, 2012
October 29, 2008	15,000	0.32	15,000	October 29, 2013
	1,845,000	\$ 1.06	1,615,000	

During the three months ended March 31, 2009, the Company accrued stock based compensation of \$25,818 with the offsetting amount credited to contributed surplus.

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

March 31, 2009

9. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment, being exploration and development of mineral properties. Except mineral property interests, equipment and exploration expenditures, substantially all of the Company's assets and expenditures are located and incurred in Canada. The mineral property interests are located in Brazil and Peru (see Note 6), the furniture and equipment are located in Brazil (see Note 4) and substantially all of the exploration expenditures are incurred in Brazil (see Note 7).

10. TRANSACTIONS WITH RELATED PARTIES

During the quarter ended March 31, 2009 the Company paid \$46,800 (2008 - \$Nil) to a management company controlled by a director, for office space and administrative services. At March 31, 2009, the Company was indebted to the management company in the amount \$Nil (2008 - \$Nil). These transactions were in the normal course of operations and are measured at the exchange amount which is the amount established and agreed to by the related parties. All balances due to related parties are included in accounts payable and accrued liabilities.

11. FINANCIAL RISK MANAGEMENT

As at March 31, 2009, the Company's financial instruments are comprised of cash and cash equivalents, receivables, long-term investments, accounts payable and accrued liabilities. The fair value of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate their carrying value due to their short-term maturity. The Company's long-term investments are carried at fair value at March 31, 2009.

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

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, Brazil and Peru, although currently there is limited activity in Peru, and a portion of the Company's expenses are incurred in Brazilian Reals. A significant change in the exchange rates between the Canadian dollar relative to the Brazilian Real could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At March 31, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in Brazilian Reals.

	Brazilian Reals
Cash and cash equivalents	78
Receivables	56,863
Accounts payable and accrued liabilities	(175,186)
Net exposure	(118,245)
Canadian dollar equivalent	\$ (63,793)

Based on the above net exposure as at March 31, 2009 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the Brazilian Real would result in an increase/decrease of approximately \$6,400 in the Company's pre-tax earnings (loss).

LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

March 31, 2009

11. FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company does not have cash and cash equivalents that are invested in asset backed commercial paper.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short and long-term requirements.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash and cash equivalents are currently held in short-term interest-bearing accounts and highly liquid short-term interest bearing investments, management considers the interest rate risk to be limited.

12. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties. In the management of capital, the Company includes the components of shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, option its mineral properties for cash and/or expenditures or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary.

The Company's investment policy is to hold cash in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements. The Company expects its current capital resources will be sufficient to fund its exploration programs and administrative costs for the next twelve months.