



**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Nine Months Ended September 30, 2011 AND 2010**  
(Expressed in Canadian dollars)

## **NOTICE TO READER**

The accompanying unaudited condensed consolidated interim financial statements of Lara Exploration Ltd. for the nine months ended September 30, 2011 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These financial statements have not been reviewed by the Company's external auditors.

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited - Expressed in Canadian dollars)

	September 30, 2011	December 31, 2010
		(Note 14)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3)	\$ 2,776,966	\$ 1,438,137
Receivables (Note 4)	121,277	36,493
Current income tax receivable	-	45,984
Prepays and deposits (Note 4)	135,020	149,509
	3,033,263	1,670,123
<b>Non-current</b>		
Equipment (Note 5)	98,045	102,447
Long-term investments (Note 6 & 13)	1,693,841	4,812,647
Mineral properties (Note 7)	3,238,854	3,239,416
<b>TOTAL ASSETS</b>	<b>\$ 8,064,003</b>	<b>\$ 9,824,633</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 455,926	\$ 489,493
Advance from JV partner	42,975	-
	498,901	
<b>Non-current</b>		
Deferred income tax liability	11,086	92,303
<b>TOTAL LIABILITIES</b>	<b>509,987</b>	<b>581,796</b>
<b>EQUITY</b>		
Share capital (Note 8)	\$ 15,165,884	\$ 13,502,669
Other reserves (Note 8)	7,434,259	7,817,934
Investment reserve	(118,279)	569,956
Deficit	(14,927,848)	(12,647,722)
<b>TOTAL EQUITY</b>	<b>7,554,016</b>	<b>9,242,837</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 8,064,003</b>	<b>\$ 9,824,633</b>

**Nature of operations** (Note 1)**Approved on behalf of the Board of Directors on November 21, 2011:**

Signed: "Narinder Nagra"

Director

Signed: "Miles Thompson"

Director

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

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	September 30		September 30	
	2011	2010	2011	2010
<b>EXPLORATION EXPENDITURES</b> (Note 7)	\$ 958,170	\$ 663,164	\$ 2,065,699	\$ 1,583,512
		(Note 14)		(Note 14)
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Depreciation	4,619	2,851	12,255	9,870
Management fees	57,008	55,000	171,008	155,000
Office, rent and administrative services	61,651	97,834	406,320	322,680
Professional fees	36,239	44,440	103,969	144,362
Shareholder communication and investor relations	11,766	47,550	73,160	118,451
Share-based payments (Note 8)	119,997	-	257,590	380,567
Transfer agent and filing fees	2,659	3,259	45,788	66,060
Travel and related costs	41,105	43,005	135,282	130,524
	335,044	293,939	1,205,372	1,327,514
<b>Loss before other items</b>	(1,293,214)	(957,103)	(3,271,071)	(2,911,026)
<b>OTHER EXPENSE (INCOME)</b>				
Change in FV of derivative (Note 6)	1,080	13,545	2,718	1,638
Foreign exchange loss (gain)	(5,796)	(7,374)	1,289	16,159
Interest income	-	(272)	(565)	(3,658)
Other income	(783)	(84,779)	(51,925)	(174,159)
Realized gain on sale of long-term investments	-	(45,731)	(742,450)	(45,731)
Write-off of mineral property costs	-	-	83,223	-
Option payments received	(140,406)	-	(282,906)	-
Loss on sale of equipment	-	-	-	261
	(145,905)	(124,611)	(990,616)	(205,490)
<b>Net loss before income taxes</b>	(1,147,309)	(832,492)	(2,280,455)	(2,705,536)
Current income tax recovery	124	-	124	54,839
Future income tax recovery (expense)	-	1,693	205	205
<b>Net loss for the period</b>	\$ (1,147,185)	\$ (830,799)	\$ (2,280,126)	\$ (2,650,492)
<b>Other comprehensive income (loss)</b>				
Net loss for the period	\$ (1,147,185)	\$ (830,799)	\$ (2,280,126)	\$ (2,650,492)
Change in FV of financial instruments (Note 5)	(268,374)	366,997	(769,245)	268,527
Future income tax expense	32,985	(45,875)	103,049	(33,565)
<b>Comprehensive income (loss)</b>	\$ (1,382,574)	\$ (509,677)	\$ (2,946,322)	\$ (2,415,530)
<b>Basic and diluted loss per common share</b>	\$ (0.04)	\$ (0.03)	\$ (0.09)	\$ (0.11)
<b>Weighted average number of common shares outstanding</b>	26,069,888	24,905,072	25,802,837	24,905,071

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

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASHFLOW**

(Unaudited - Expressed in Canadian dollars)

	Nine months ended September 30	
	2011	2010
<b>CASH FLOWS FROM (TO)</b>		(Note 14)
<b>OPERATIONS</b>		
Net loss for the period	\$ (2,280,126)	\$ (2,650,492)
Items not affecting cash:		
Depreciation	12,255	47,194
Share-based payments	257,590	380,567
Change in FV of derivative	2,718	1,638
Realized gain on sale of long-term investments	(742,450)	(45,731)
Option payments received	(216,702)	(65,000)
Write-off of mineral properties	83,223	-
Loss on sale of equipment	-	261
Current income tax recovery	(124)	-
Future income tax recovery	(205)	(205)
Changes in non-cash working capital items:		
Receivables	(84,784)	516,303
Prepaid expenses and deposits	46,108	(83,900)
Exploration advances	14,489	-
Accounts payable and accrued liabilities	(33,567)	(342,237)
Advance from JV partner	42,975	-
	(2,898,600)	(2,241,602)
<b>INVESTING</b>		
Mineral property acquisition costs	(214,763)	(152,083)
Recovery of mineral property costs	132,102	199,919
Purchase of equipment	(7,853)	(3,575)
Proceeds from sale of equipment	-	4,480
Proceeds from sale of long-term investments	3,305,993	437,231
	3,215,479	485,972
<b>FINANCING</b>		
Exercise of options	1,021,950	-
	1,021,950	-
<b>Change in cash and cash equivalents</b>	1,338,829	(1,755,630)
<b>Cash and cash equivalents, beginning of period</b>	1,438,137	2,375,295
<b>Cash and cash equivalents, end of period</b>	\$ 2,776,966	\$ 619,665
<b>Supplementary cash flow information</b>		
Interest received	\$ 565	\$ 3,686
Income taxes paid	\$ -	\$ 198,693

**Supplemental disclosure with respect to cash flows** (Note 11)

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

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Unaudited - Expressed in Canadian dollars)

**Authorized:**

Unlimited common shares, without par value

Unlimited preferred shares, issuable in series

	Number of Shares	Share Capital	Investment Reserve	Other Reserves	Non- controlling interest	Deficit	Total
<b>Balance as at January 1, 2010</b>	24,905,067	\$ 13,260,499	\$ 111,375	\$ 7,399,060	\$ 113,186	\$ (9,406,192)	\$ 11,477,928
Issued for Maxy acquisition	5	6	-	-	-	-	6
Share-based payments	-	-	-	380,567	-	-	380,567
Change in FV of financial instruments, net of tax	-	-	234,962	-	-	-	234,962
Net loss for the period	-	-	-	-	-	(2,650,492)	(2,650,492)
<b>Balance as at September 30, 2010</b>	24,905,072	\$ 13,260,505	\$ 346,337	\$ 7,779,627	\$ 113,186	\$ (12,056,684)	\$ 9,329,785
<b>Balance as at December 31, 2010</b>	25,217,572	\$ 13,502,669	\$ 569,956	\$ 7,817,934	\$ -	\$ (12,647,722)	\$ 9,242,837
Bonus shares issued	83,331	119,997	-	-	-	-	119,997
Cancellation of treasury shares	(6,016)	(3,221)	-	3,221	-	-	-
Exercise of options	907,500	1,021,950	-	-	-	-	1,021,950
Re-allocation of reserve - Options	-	524,489	-	(524,489)	-	-	-
Share-based payments	-	-	-	137,593	-	-	137,593
Sales of long-term investments	-	-	(678,493)	-	-	-	(678,493)
Change in FV of financial instruments, net of tax	-	-	(9,742)	-	-	-	(9,742)
Net loss for the period	-	-	-	-	-	(2,280,126)	(2,280,126)
<b>Balance as at September 30, 2011</b>	26,202,387	\$ 15,165,884	\$ (118,279)	\$ 7,434,259	\$ -	\$ (14,927,848)	\$ 7,554,016

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

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

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**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 acquisition, exploration and development of mineral exploration properties in South America, currently with properties in Brazil, Peru and Colombia. Through the acquisition of Maxy Gold Corp. in December 2009, the Company also acquired two projects in China, one of which has since been sold. The address of the Company's head office is #501 - 543 Granville Street, Vancouver, BC, Canada V6C 1X8. The condensed consolidated interim financial statements of the Company as at and for the period ended September 30, 2011 comprise the Company and its subsidiaries. Lara is the ultimate parent.

The Company is in the process of exploring its mineral properties and has not yet determined whether they contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their exploration and development, confirmation of the Company's interest in the underlying claims and leases, obtaining the necessary permits to mine and future profitable production or proceeds from the disposition of the mineral properties.

**2. SIGNIFICANT ACCOUNTING POLICIES****Basis of Presentation and Adoption of International Financial Reporting Standards**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent 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").

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent 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").

Some of the comparative figures have been reclassified to conform to the current format.

The accounting policies followed in these interim financial statements are the same as those applied and disclosed in the Company's interim financial statements for the three months ended March 31, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. The impact of the transition to IFRS on the Company's reported equity as at September 30, 2010, and comprehensive income for the three and nine months ended September 30, 2010, is provided in note 14. This note also includes the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of November 21, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011, could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

The interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010, and the Company's interim financial statements for the quarter ended March 31, 2011, prepared in accordance with IFRS applicable to interim financial statements.

**Future Accounting Changes**

The following are IFRS changes that have been issued by the International Accounting Standards Board, which may affect the Company, but are not yet effective:

IAS 12, Income taxes, was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The Company is assessing the effect of the changes to IAS 12 on its financial results and financial position.

IAS 27, Separate Financial Statements, replaced the existing IAS 27 "Consolidated and Separate Financial Statements". IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. IAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IAS 27 on its financial results and financial position.

IAS 28, Investments in Associates and Joint Ventures, was amended in 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IAS 28 on its financial results and financial position.

IFRS 9, Financial Instruments, was issued in November 2009 and is the first step to replace current IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the effect of IFRS 9 on its financial results and financial position; however any changes are not expected to be material.

IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation—Special Purpose Entities, and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 10 on its financial results and financial position.

IFRS 11, Joint Arrangements, establishes principles for financial reporting by parties to a joint arrangement. IFRS 11

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

supersedes current IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers, and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 11 on its financial results and financial position.

IFRS 12, Disclosure of Interests in Other Entities, applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 12 on its financial statement disclosures.

IFRS 13, Fair Value Measurements, defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 13 on its financial results and financial position.

**3. CASH AND CASH EQUIVALENTS**

Cash consists of cash on hand and deposits at banks earning interest at floating rates based on daily bank deposit rates:

	September 30, 2011	December 31, 2010
Cash	\$ 730,966	\$ 1,409,387
Short-term bank deposits	2,046,000	28,750
	<b>\$ 2,776,966</b>	<b>\$ 1,438,137</b>

**4. TRADE AND OTHER RECEIVABLES**

The Company's receivables arise from goods and services tax, and harmonized sales taxes receivable due from government taxation authorities, and recovery of exploration expenditures from mineral property venture partners.

	September 30, 2011	December 31, 2010
<b>Current</b>		
Accounts receivable	\$ 121,277	\$ 36,493
Prepays and deposits	135,020	149,509
	<b>\$ 256,297</b>	<b>\$ 186,002</b>

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

**4. TRADE AND OTHER RECEIVABLES (cont'd...)**

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	September 30, 2011	December 31, 2010
<b>Currency</b>		
Canadian dollars	\$ 48,259	\$ 31,737
US dollars	14,186	-
Other	58,832	4,756
	\$ 121,277	\$ 36,493

**5. EQUIPMENT**

	Office	Computer	Vehicles	Computer Software	Field Equipment	Total
<b>Costs</b>						
As at January 1, 2010	\$ 103,820	\$ 31,343	\$ 86,669	\$ -	\$ 2,940	\$ 224,772
Additions	7,826	3,000	224,772	-	-	10,826
Disposals	(18,047)	(2,894)	224,772	-	-	(20,941)
As at December 31, 2010	93,599	31,449	86,669	-	2,940	214,657
Additions	5,905	-	-	1,948	-	7,853
Disposals	-	-	-	-	-	-
As at September 30, 2011	99,504	31,449	86,669	1,948	2,940	222,510
<b>Accumulated depreciation</b>						
As at January 1, 2010	20,697	12,961	26,098	-	504	60,260
Additions	18,672	10,548	23,544	-	455	53,219
Disposals	-	(1,269)	-	-	-	(1,269)
As at December 31, 2010	39,369	22,240	49,642	-	959	112,210
Additions	3,885	2,303	5,554	216	297	12,255
Disposals	-	-	-	-	-	-
As at September 30, 2011	43,254	24,543	55,196	216	1,256	124,465
<b>Net book value</b>						
As at January 1, 2010	83,123	18,382	60,571	-	2,436	164,512
As at December 31, 2010	54,230	9,209	37,027	-	1,981	102,447
As at September 30, 2011	\$ 56,250	\$ 6,906	\$ 31,473	\$ 1,732	\$ 1,684	\$ 98,045

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

**6. LONG-TERM INVESTMENTS**

	September 30, 2011			Accumulated Unrealized Gain (Loss)
	Cost	Fair Value		
Available-for-sale investments	\$ 1,775,948	\$ 1,684,997	\$	(90,951)
Financial assets at fair value through profit and loss	11,076	8,844		(2,232)
	\$ 1,787,024	\$ 1,693,841	\$	(93,183)

	December 31, 2010			Accumulated Unrealized Gain (Loss)
	Cost	Fair Value		
Available-for-sale investments	\$ 4,122,788	\$ 4,801,085	\$	678,297
Financial assets at fair value through profit and loss	11,076	11,562		486
	\$ 4,133,864	\$ 4,812,647	\$	678,783

The Company has investments in the common shares of a company which trades on the Toronto Stock Exchange and investments in the common shares and warrants of companies that trade on the TSX Venture Exchange. The warrants have been classified as held for trading and have been valued using the Black-Scholes option pricing model.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**7. MINERAL PROPERTIES**

	September 30, 2011	December 31, 2010
Midu - China	\$ -	\$ -
Condorama - Peru	946,347	946,347
Chocos - Peru	946,347	946,347
Sumaq / Sami - Peru	473,173	473,173
Corina - Peru	273,254	273,254
Picha - Peru	133,824	157,724
Grace - Peru	-	11,266
Other minor properties - Peru	146,464	146,464
São Lourenço - Brazil	134,330	79,947
Campos Verdes – Brazil	1	83,224
Curionópolis - Brazil	185,113	121,669
Minas Dixon - Peru	1	1
	\$ 3,238,854	\$ 3,239,416

**Brazil*****Curionópolis Iron Project***

The Company has completed an agreement whereby Vertical Mineração Ltda. (“Vertical”), a special purpose company owned by a group of Brazilian pig iron producers will acquire the iron ore targets within the Property for cash payments, exploration work commitments and royalties. Under the terms of the Vertical agreement, Lara has ceded approximately 1,348 hectares of the property, covering a ridge of banded-massive iron formations, to Vertical in exchange for US\$1.4 million in cash payable over two years, US\$3 million in exploration expenditures over a three year period and a \$3/tonne to \$4/tonne royalty payment on any lump iron ore production and a \$1.50/tonne royalty payment on any finer-grained iron ore production. Lara is entitled to 50% of the cash and royalty payments paid by Vertical and will be the operator during the exploration phase of the project and Redrock which is owned by the CEO is entitled to the other 50%.

Under the terms of the agreement with Vertical, Lara will receive payments of US\$807,500 (US\$100,000 paid at closing, US\$100,000 in August 2011) in exchange for 1,348 hectares of the property. Lara and Vertical have agreed that the remaining payment of US\$607,500 plus a late fee of US\$100,000 will be paid in twelve monthly instalments of US\$58,958 the first of which was received October 4, 2011.

***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,

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**7. MINERAL PROPERTIES (cont'd...)**

whereby it could extend its option for an additional two years by making payments of US\$15,000, 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. Lara has made the payments for January 2009, 2010 and 2011. 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.

In August 2011 the Company signed a binding letter of intent with Triumph Tin Mining Ltd. ("Triumph") to explore and develop the Company's tin projects in Rhodonia State, northwest Brazil. Triumph will take over Lara's option to acquire 100% of the Sao Lourenco Tin Project and can earn up to a 75% interest in Lara's 100% owned tin exploration portfolio, denominated the North Brazilian Tin Project.

**Nickel Laterite Projects**

In July 2011 Lara completed a Sale and Purchase Agreement ("the Agreement") for the sale of the Company's Vila Oito and Floresta nickel laterite projects in northern Brazil to London and TSX Venture Exchange-listed Horizonte Minerals plc ("Horizonte"). Under the terms of the Agreement, upon transfer and publication of the Vila Oito and Floresta mineral rights to Horizonte's Brazilian subsidiary, Horizonte will issue 8.5 million new shares to Lara at a deemed value of approximately \$2 million. The shares will be subject to a 12-month hold period. The revenue from this sale will be recorded upon the transfer and publication of the Vila Oito and Floresta mineral rights to Horizonte.

**Canabrava VMS Project**

The Canabrava Volcanogenic Massive Sulphide ("VMS") Project comprises 40,628 hectares of exploration claims and licenses that cover strike extensions of four zinc-lead-copper-silver VMS deposits in Central Brazil. Votorantim Metais Zinco S.A. ("Votorantim") was conducting work at Canabrava under the terms of an option and earn-in agreement whereby it could earn up to a 75% interest in the project by funding exploration and development work. In October 2011 Votorantim completed a 1,500-metre diamond drill program with disappointing results and subsequently terminated the agreement with Lara. The Company is currently conducting its own review of the exploration work completed by Votorantim.

**Peru****Picha**

In April 2011, Lara signed a letter of intent ("LOI") with Network Exploration Ltd. ("Network") whereby Network could acquire up to a 75% interest in the Picha project. The letter is non-binding and the final terms will be subject to TSX Venture Exchange approval and the execution of a mutually acceptable definitive agreement. Upon the signing of the LOI, Network paid Lara a deposit of US\$50,000, half of which is non-refundable. The non-refundable portion amounting to US\$25,000 has been credited against the capitalized acquisition costs of the Picha property.

In October 2011 Lara and Network completed an option and joint venture agreement whereby Network can earn up to a 75% interest in the Company's Picha Copper-Silver Project in southern Peru by making cash and share payments to Lara and funding exploration and a pre-feasibility study on the project. Network can earn an initial 55% working interest the Project ("Option 1") by issuing 3.5 million units to Lara, with each unit comprising a common share in Network and a common share purchase warrant, with each warrant valid for 2 years and

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**7. MINERAL PROPERTIES (cont'd...)**

convertible into a Network share at a price of \$0.10. Network will also make cash payments to Lara of US\$200,000 over 12 months (US\$50,000 paid on signing of the Letter of Intent in April, 2011) and complete US\$3 million in exploration expenditures over 3 years. Upon completion of Option 1, Network may elect to earn an additional 20% interest in the Project ("Option 2") by paying US\$ 1 million in cash to Lara, funding US\$ 5 million in exploration expenditures and completing a Pre-Feasibility Study within three years.

***Grace***

In August of 2011, Lara entered into an option agreement with Malbex Resources Inc. ("Malbex") by granting them an option to acquire up to a 75% interest in the Grace property (the "Grace Property") by paying Lara US\$850,000 in cash (US\$100,000 paid), paying US\$850,000 in shares (224,855 common shares issued to date), and completing US\$11,500,000 of exploration and feasibility work. Malbex will have a first option to earn a 55% interest in the Grace Property by making cash payments of US\$350,000 to Lara, paying \$US\$350,000 in common shares of Malbex, and completing no less than US\$3,500,000 in exploration expenditures over a three-year period. The initial proceeds of cash and shares of Malbex were recorded as a recovery of 2011 exploration costs of \$21,150 and a recovery of capitalized costs of \$11,266 with the balance recorded as option revenue in the statements of comprehensive loss.

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**7. MINERAL PROPERTIES (cont'd...)**

During the nine months ended September 30, 2011 and 2010, the Company incurred the following exploration expenditures on its mineral properties:

<b>2011</b>	Caraias	General exploration	<b>Total Brazil</b>	Chocos	Samaq / Sami	Grace	Lara / Tingo Este	Other	<b>Total Peru</b>	<b>Total</b>
Assays	\$ 5,451	\$ 15,156	\$ 20,607	\$ 72,838	\$ 102,968	\$ 1,304	\$ 331,150	\$ 111,090	\$ 619,350	\$ 639,957
Field costs	8,862	67,642	76,504	9,681	14,709	1,732	193,858	36,119	256,099	332,603
Office and administrative	32,595	192,730	225,325	16,986	9,712	863	145,583	140,645	313,789	539,114
Property maintenance	26,253	132,039	158,292	55,929	122,954	13,885	80,740	89,067	362,575	520,867
Salaries and consultants	65,634	370,778	436,412	2,146	17,207	2,376	157,131	280,615	459,475	895,886
Telecommunications	142	1,119	1,261	5,337	97	25	2,801	14,891	23,151	24,412
Travel and related costs	669	9,191	9,860	2,223	4,206	965	22,803	28,018	58,215	68,075
	139,605	788,656	928,261	165,140	271,853	21,150	934,066	700,445	2,092,654	3,020,915
Recoveries	-	-	-	-	-	(21,150)	(934,066)	-	(955,216)	(955,216)
	\$ 139,605	\$ 788,656	\$ 928,261	\$ 165,140	\$ 271,853	\$ -	\$ -	\$ 700,445	\$ 1,137,438	\$ 2,065,699

<b>2010</b>	Campos Verdes	Araguaia	Goias Gold	Caraias	General Gold	Other	<b>Total Brazil</b>	Peru	Colombia	<b>Total</b>
Assays	\$ 76	\$ 82	\$ 7,735	\$ 8,457	\$ 4,900	\$ 298	\$ 21,548	\$ -	\$ -	\$ 21,548
Field costs	36	62	81,988	21,089	3,093	8,121	114,389	-	4,656	119,045
Office and administrative	2,947	1,038	81,987	35,864	75,140	3,788	200,764	107,847	9,219	317,830
Property maintenance	3,985	527	3,692	6,270	150,234	-	164,708	-	-	164,708
Salaries and consultants	4,909	914	97,395	52,684	79,154	3,394	238,450	784,228	20,450	1,043,128
Telecommunications	227	-	3,346	408	37	-	4,018	5,677	-	9,695
Travel and related costs	646	1,755	24,379	13,224	4,930	367	45,301	15,262	5,016	65,579
	12,826	4,378	300,522	137,996	317,488	15,968	789,178	913,014	39,341	1,741,533
Recoveries	-	-	-	-	-	-	-	(158,021)	-	(158,021)
	\$ 12,826	\$ 4,378	\$ 300,522	\$ 137,996	\$ 317,488	\$ 15,968	\$ 789,178	\$ 754,993	\$ 39,341	\$ 1,583,512

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**8. EQUITY****Stock Options**

The Company adopted a share option plan (“the Plan”) pursuant to the policies of the TSX Venture Exchange (“the Exchange”). The maximum aggregate number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company. The maximum term of the options is five years and the vesting requirements are determined at the time of each grant. The Plan has been approved by the Exchange and is approved by the shareholders of the Company each year at its annual general meeting. All of the options are fully vested and exercisable. The continuity of share purchase options for the nine months ended September 30, 2011 is as follows:

Expiry Date	Exercise Price	Balance, Dec 31, 2010	Granted	Exercised	Expired / Cancelled	Balance, Sept 30, 2011
Mar 16, 2011	1.35	565,000	-	495,000	70,000	-
Jul 10, 2011	1.10	250,000	-	100,000	150,000	-
Nov 09, 2011	1.03	25,000	-	25,000	-	-
Oct 03, 2012	1.22	10,000	-	-	-	10,000
Jun 18, 2013	0.80	340,000	-	200,000	-	140,000
Oct 29, 2013	0.32	15,000	-	-	-	15,000
May 21, 2014	0.40	37,500	-	2,500	-	35,000
Feb 21, 2013	3.20	36,875	-	-	-	36,875
May 27, 2015	0.67	887,500	-	85,000	25,000	777,500
May 27, 2015	1.02	100,000	-	-	-	100,000
May 27, 2015	1.23	75,000	-	-	-	75,000
Feb 21, 2016	1.76	-	50,000	-	-	50,000
Jun 24, 2016	1.18	-	125,000	-	-	125,000
<b>Total</b>		<b>2,341,875</b>	<b>175,000</b>	<b>907,500</b>	<b>245,000</b>	<b>1,364,375</b>
Weighted Average Exercise Price						
		\$ 0.97	\$ 1.35	\$ 1.13	\$ 1.13	\$ 0.89

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**8. EQUITY (cont'd...)****Share-based payments**

During the nine months ended September 30, 2011, the Company issued 83,331 (2010 - Nil) common shares of the Company to certain directors. The Company recorded share based payments of \$119,997 (2010 - \$Nil), or \$1.44 (2010 - \$Nil) per share.

During the period ended September 30, 2011, the Company granted 175,000 (2010 - 920,000) options to certain directors. The options were fully vested on the date of grant. The Company recorded share based compensation of \$85,033 (2010 - \$380,567) for these options with the offsetting amount credited to contributed surplus. The stock options were recorded at fair value using the Black-Scholes option pricing model with the following assumptions:

Weighted average:	September 30, 2011	September 30, 2010
Risk free interest rate	1.50%	2.24%
Expected dividend yield	0%	0%
Expected stock price volatility	86%	74%
Expected life of options in years	1	5

The weighted average fair value of options granted during the period ended September 30, 2011 was \$0.49 (2010 - \$0.41).

**Loss per Share**

The calculation of basic and diluted loss per share for the three months and nine months ended September 30, 2011 was based on the loss attributable to common shareholders of \$1,147,185 (2010 - \$830,799) and \$2,280,126 (2010 - \$2,650,492) respectively, and a weighted average number of common shares outstanding of 26,069,888 (2010 - 24,905,072) and 25,802,837 (2010 - 24,905,071). The diluted loss per share did not include the effect of the 1,364,375 share purchase options outstanding because they were anti-dilutive.

**9. SEGMENTED INFORMATION**

The Company operates in a single reportable operating segment, being exploration and development of mineral properties.

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**10. RELATED PARTY TRANSACTIONS**

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

	For the nine months ended September 30,	
	2011	2010
Salaries and benefits	\$ 307,008	\$ 226,750
Share-based payments	148,558	172,200
	\$ 455,566	\$ 398,950

Related party assets and liabilities	Service or items	September 30, 2011	December 31, 2010
<b>Amounts due to:</b>			
Andre Gauthier	Expense recovery	\$ 50,445	\$ -
Byron King	Directors fees	3,000	-
Christopher MacIntyre	Admin services	3,000	-
Michael Winn	Directors fees	1,225	-
Inca Pacific Resources Corp. <i>Common directors</i>	Expense recovery	9,469	-
<b>Amounts due from:</b>			
Reservoir Capital Corp. <i>Common directors</i>	Expense recovery	\$ -	\$ 7,741
Seabord Services Corp. <i>Common director</i>	Deposit	10,000	10,000

During the nine months ended September 30, 2011 Lara paid \$149,800 (2010 - \$149,400) to Seabord Services Corp., ("Seabord"). Seabord is a management services company controlled by a director. Seabord provides a chief financial officer, a corporate secretary, accounting staff, administration staff and office space to Lara. The Chief Financial Officer is an employee of Seabord and is not paid directly by Lara.

**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

During the nine months ended September 30, 2011, the Company:

- a) re-allocated \$524,489 from contributed surplus to share capital for exercise of options; and
- b) cancelled 6,016 common shares of the Company valued at \$3,221.

During the period ended September 30, 2010, the Company did not have any significant non-cash investing and financing activities.

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**12. FINANCIAL AND CAPITAL RISK MANAGEMENT****Financial Risk Management**

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

**Currency Risk**

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, the United States, Brazil and Peru. 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 in the local currencies. The risk is that there could be a significant change in the exchange rate of the Canadian dollars relative to the US dollars, the Brazilian reals and the Peruvian sols. 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 September 30, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars, Brazilian reals and Peruvian sols:

	US dollars	Brazilian reals	Peruvian sols	Total
Cash and cash equivalents	\$ 419,226	\$ 46,374	\$ 90,569	
Receivables	13,738	9,536	145,049	
Accounts payable and accrued liabilities	(3,697)	(92,973)	(47,038)	
Net exposure	429,267	(37,063)	188,580	
Canadian dollar equivalent	\$ 443,261	\$ (20,915)	\$ 69,492	\$ 491,838

Based on the above net exposures as at September 30, 2011 and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollars against the above foreign currencies would result in an increase / decrease of approximately \$49,184 to loss from operations.

**Credit Risk**

The Company's cash and cash equivalents are mainly held through large Canadian or US financial institutions; as at September 30, 2011 are mainly held in savings accounts and accordingly, credit risk is minimized.

**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 manages liquidity risk through the management of its capital resources as outlined below.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because

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**12. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

of changes in the market interest rates. The Company's cash is held mainly in term deposits and therefore there is currently minimal interest rate risk.

**Management of Capital**

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. Lara 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. In the management of capital, the Company includes the components of shareholders' equity as well as cash. 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 thirty days without interest penalty. The Company currently has sufficient capital to fund its exploration programs and to cover its administrative costs for the next twelve months.

**13. FINANCIAL INSTRUMENTS**

The Company classified its financial instruments as follows:

	September 30, 2011			
	Financial instruments at FVTPL	Available-for-sale	Loans and receivables	Other financial liabilities
<b>Financial instruments</b>				
Cash and cash equivalents	\$ 2,776,966	\$ -	\$ -	\$ -
Receivables	-	-	121,277	-
Long-term investments	8,844	1,684,997	-	-
Accounts payable and accrued liabilities	-	-	-	(455,926)
Advance from JV partner	-	-	-	(42,975)
	\$ 2,785,810	\$ 1,684,997	\$ 121,277	\$ (498,901)

	December 31, 2010			
	Financial instruments at FVTPL	Available-for-sale	Loans and receivables	Other financial liabilities
<b>Financial instruments</b>				
Cash and cash equivalents	\$ 1,438,137	\$ -	\$ -	\$ -
Receivables	-	-	36,493	-
Long-term investments	11,562	4,801,085	-	-
Accounts payable and accrued liabilities	-	-	-	(489,493)
	\$ 1,449,699	\$ 4,801,085	\$ 36,493	\$ (489,493)

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**13. FINANCIAL INSTRUMENTS (cont'd...)****Fair Value**

The carrying value of receivables, accounts payable and accrued liabilities and advances from JV partners approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,776,966	-	-	\$ 2,776,966
Investments	1,684,997	8,844	-	1,693,841

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**14. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**

As stated in Note 2, these are Lara's consolidated interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS. The accounting policies in Note 2 have been applied in preparing the consolidated interim financial statements for the three months and six months ended June 30, 2011, the comparative information for the three months and six months ended June 30, 2010, the financial statements for the year ended December 31, 2010 and the preparation of an opening IFRS statement of financial position on the transition date, January 1, 2010.

In preparing its opening IFRS statement of financial position, comparative information for the three months and six months ended June 30, 2010 and the year ended December 31, 2010 the Company has adjusted amounts previously reported in financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

The guidance for the first time adoption of IFRS is set in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for the first time adopters of IFRS. Lara elected to apply the requirements of IFRS 3, Business Combinations, prospectively from the transition date.

A reconciliation of Statement of Financial Positions and Statements of Operations and Comprehensive Loss for the periods noted below:

- Consolidated Statement of Financial Position as at the transition date of December 31, 2010
- Consolidated Statement of Financial Position as at the transition date of September 30, 2010
- Consolidated Statement of Comprehensive Loss for the year ended December 31, 2010
- Consolidated Statement of Comprehensive Loss for the three-month period ended September 30, 2010
- Consolidated Statement of Comprehensive Loss for the nine-month period ended September 30, 2010
- Consolidated Statement of Cash Flows for the nine-month period ended September 30, 2010

**a) Deferred Tax on Mineral Properties**

Under GAAP Lara recognized a future income tax liability on the acquisition of Maxy Gold Corp. where the fair value of some of the mineral properties acquired exceeded their tax values in a transaction which was not a business combination and affected neither accounting profit or loss nor taxable profit or loss. IFRS does not permit the recognition of deferred taxes on such transactions.

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**14. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)**

Consolidated Statement of Financial Position as at the transition date of December 31, 2010:

	Canadian GAAP	IFRS Adjustments	Notes	IFRS
<b>Assets</b>				
Current				
Cash	\$ 1,438,137	\$ -		\$ 1,438,137
Receivables	36,793	-		36,793
Current income tax receivable	45,984	-		45,984
Prepaid expenses and deposits	149,509	-		149,509
	1,670,123	-		1,670,123
Furniture and equipment	102,447	-		102,447
Long-term investments	4,812,647	-		4,812,647
Mineral properties	4,094,416	(855,000)	(a)	3,239,416
	\$ 10,679,633	\$ (855,000)		\$ 9,824,633
<b>Liabilities</b>				
Current				
Accounts payable and accrued liabilities	\$ 489,493	\$ -		\$ 489,493
Deferred income tax liability	544,243	(451,940)	(a)	92,303
	1,033,736	(451,940)		581,796
<b>Shareholders' Equity</b>				
Share capital	13,502,669	-		13,502,669
Investment reserve	569,956	-		569,956
Other reserves	7,817,934	-		7,817,934
Deficit	(12,244,662)	(403,060)	(a)	(12,647,722)
	9,645,897	(403,060)		9,242,837
	\$ 10,679,633	\$ (855,000)		\$ 9,824,633

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**14. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)**

Consolidated Statement of Financial Position as at the transition date of September 30, 2010:

	Canadian GAAP	IFRS Adjustments	Notes	IFRS
<b>Assets</b>				
Current				
Cash	\$ 619,665	\$ -		\$ 619,665
Receivables	81,975	-		81,975
Current income tax receivable	45,984	-		45,984
Prepaid expenses and deposits	155,132	-		155,132
	902,756	-		902,756
Furniture and equipment	116,152	-		116,152
Long-term investments	4,744,980	-		4,744,980
Mineral properties	5,094,416	(855,000)	(a)	4,239,416
	\$ 10,858,304	\$ (855,000)		\$ 10,003,304
<b>Liabilities</b>				
Current				
Accounts payable and accrued liabilities	\$ 508,412	\$ -		\$ 508,412
Deferred income tax liability	906,921	(855,000)	(a)	51,921
	1,415,333	(855,000)		560,333
<b>Shareholders' Equity</b>				
Non-controlling interest	113,186	-		113,186
Share capital	13,260,505	-		13,260,505
Investment reserve	346,337	-		346,337
Other reserves	7,779,627	-		7,779,627
Deficit	(12,056,684)	-		(12,056,684)
	9,442,971	-		9,442,971
	\$ 10,858,304	\$ (855,000)		\$ 10,003,304

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**14. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)**

Consolidated Statement of Comprehensive Loss for the year ended December 31, 2010:

	Canadian GAAP	IFRS Adjustments	Notes	IFRS
<b>EXPLORATION EXPENDITURES</b>	\$ 1,919,691	\$ -		\$ 1,919,691
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Depreciation	11,523	-		11,523
Directors' fees	32,000	-		32,000
Management fees	180,000	-		180,000
Office, rent and administrative services	419,104	-		419,104
Professional fees	149,832	-		149,832
Shareholder information and Investor relations	155,912	-		155,912
Share-based compensation	495,762	-		495,762
Transfer agent and regulatory fees	69,567	-		69,567
Travel and related costs	180,012	-		180,012
	1,693,712	-		1,693,712
<b>OTHER EXPENSE (INCOME)</b>				
Change in FV of derivative	2,306	-		2,306
Foreign exchange loss	19,652	-		19,652
Interest income	(3,741)	-		(3,741)
Gain on sale of long-term investments	(70,997)	-		(70,997)
Gain on sale of subsidiary	(4,108)	-		(4,108)
Loss on sale of equipment	261	-		261
Other income	(260,119)	-		(260,119)
	(316,746)	-		(316,746)
<b>LOSS BEFORE INCOME TAXES</b>	(3,296,657)	-		(3,296,657)
<b>INCOME TAX EXPENSE (RECOVERY)</b>				
Current	(54,839)	-		(54,839)
Deferred	(403,348)	403,060		(288)
	(458,187)	403,060		(55,127)
<b>NET LOSS FOR THE YEAR</b>	\$ (2,838,470)	403,060		\$ (3,241,530)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Net loss for the year	\$ (2,838,470)	403,060		\$ (3,241,530)
Change in fair value of investments	556,362	-		556,362
Future income tax expense	(74,031)	-		(74,031)
Transfer on sale of investments	(23,750)	-		(23,750)
<b>COMPREHENSIVE LOSS</b>	\$ (2,379,889)	403,060		\$ (2,782,949)
Basic and diluted loss per share	\$ (0.11)			\$ (0.13)
Weighted average number of common shares outstanding, basic and diluted	24,967,215			24,967,215

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**14. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)**

Consolidated Statement of Comprehensive Loss for the three months ended September 30, 2010:

	Canadian GAAP	IFRS Adjustments	Notes	IFRS
<b>EXPLORATION EXPENDITURES</b>	\$ 663,164	\$ -		\$ 663,164
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Depreciation	2,851	-		2,851
Directors' fees	10,000	-		10,000
Management fees	45,000	-		45,000
Office, rent and administrative services	97,834	-		97,834
Professional fees	44,440	-		44,440
Shareholder information and Investor relations	47,550	-		47,550
Share-based compensation	-	-		-
Transfer agent and regulatory fees	3,259	-		3,259
Travel and related costs	43,005	-		43,005
	293,939	-		293,939
<b>OTHER EXPENSE (INCOME)</b>				
Change in fair value of derivative	13,545	-		13,545
Foreign exchange loss	(7,374)	-		(7,374)
Interest income	(272)	-		(272)
Other Income	(84,779)	-		(84,779)
Realized gain on sale of long-term investments	(45,731)	-		(45,731)
Loss on sale of equipment	-	-		-
	(124,611)	-		(124,611)
<b>LOSS BEFORE INCOME TAXES</b>	(832,492)	-		(832,492)
<b>INCOME TAX EXPENSE (RECOVERY)</b>				
Current	-	-		-
Deferred	(1,693)	-		(1,693)
	(1,693)	-		(1,693)
<b>NET LOSS FOR THE YEAR</b>	\$ (830,799)	-		\$ (830,799)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Net loss for the year	\$ (830,799)	-		\$ (830,799)
Change in fair value of investments	371,497	-		371,497
Future income tax expense	(45,875)	-		(45,875)
Transfer on sale of investments	(4,500)	-		(4,500)
<b>COMPREHENSIVE LOSS</b>	\$ (509,677)	-		\$ (509,677)
Basic and diluted loss per share	\$ (0.03)			\$ (0.03)
Weighted average number of common shares outstanding, basic and diluted	24,905,072			24,905,072

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

**14. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)**

Consolidated Statement of Comprehensive Loss for the nine months ended September 30, 2010:

	Canadian GAAP	IFRS Adjustments	Notes	IFRS
<b>EXPLORATION EXPENDITURES</b>	\$ 1,583,512	\$ -		\$ 1,583,512
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Depreciation	9,870	-		9,870
Directors' fees	20,000	-		20,000
Management fees	135,000	-		135,000
Office, rent and administrative services	322,680	-		322,680
Professional fees	144,362	-		144,362
Shareholder information and Investor relations	118,451	-		118,451
Share-based compensation	380,567	-		380,567
Transfer agent and regulatory fees	66,060	-		66,060
Travel and related costs	130,524	-		130,524
	1,327,514	-		1,327,514
<b>OTHER EXPENSE (INCOME)</b>				
Change in FV of derivative	1,638	-		1,638
Foreign exchange loss	16,159	-		16,159
Interest income	(3,658)	-		(3,658)
Other income	(174,159)	-		(174,159)
Realized gain on sale of long-term investments	(45,731)	-		(45,731)
Loss on sale of equipment	261	-		261
	(205,490)	-		(205,490)
<b>LOSS BEFORE INCOME TAXES</b>	(2,705,536)	-		(2,705,536)
<b>INCOME TAX EXPENSE (RECOVERY)</b>				
Current	(54,839)	-		(54,839)
Deferred	(205)	-		(205)
	(55,044)	-		(55,044)
<b>NET LOSS FOR THE YEAR</b>	\$ (2,650,492)	-		\$ (2,650,492)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Net loss for the year	\$ (2,650,492)	-		\$ (2,650,492)
Change in fair value of investments	273,027	-		273,027
Future income tax expense	(33,565)	-		(33,565)
Transfer on sale of investments	(4,500)	-		(4,500)
<b>COMPREHENSIVE LOSS</b>	\$ (2,415,530)	-		\$ (2,415,530)
Basic and diluted loss per share	\$ (0.11)			\$ (0.11)
Weighted average number of common shares outstanding, basic and diluted	24,905,071			24,905,071

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

**14. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)**

Consolidated Statement of Cash Flows for the nine months ended September 30, 2010:

	Canadian GAAP	IFRS Adjustments	Notes	IFRS
<b>CASH FLOWS FROM (TO)</b>				
<b>OPERATIONS</b>				
Net loss for the period	\$ (2,650,492)	\$ -		\$ (2,650,492)
Items not affecting cash:				
Depreciation	47,194	-		47,194
Share-based payments	380,567	-		380,567
Change in FV of derivative	1,638	-		1,638
Gain on sale of investments	(45,731)	-		(45,731)
Option payments received	(65,000)	-		(65,000)
Loss on sale of equipment	261	-		261
Future income tax (recovery) expense	(205)	-		(205)
Changes in non-cash working capital items:				
Receivables	516,303	-		516,303
Prepaid expenses and deposits	(83,900)	-		(83,900)
Accounts payable and accrued liabilities	(342,237)	-		(342,237)
	(2,241,602)	-		(2,241,602)
<b>INVESTING</b>				
Mineral property acquisition costs	(152,083)	-		(152,083)
Recovery of mineral property costs	199,919	-		199,919
Purchase of equipment	(3,575)	-		(3,575)
Proceeds from sale of equipment	4,480	-		4,480
Proceeds from sale of long-term investments	437,231	-		437,231
	485,972	-		485,972
<b>Change in cash and cash equivalents</b>	(1,755,630)	-		(1,755,630)
<b>Cash and cash equivalents, beginning of period</b>	2,375,295	-		2,375,295
<b>Cash and cash equivalents, end of period</b>	\$ 619,665	\$ -		\$ 619,665
<b>Supplementary cash flow information</b>				
Interest received	\$ 3,686	\$ -		\$ 3,686
Income taxes recovered	198,693	-		198,693