

# **Lara Exploration Ltd.**

**(An Exploration Stage Company)**

**Interim Consolidated Financial Statements  
Three Months Ended March 31, 2010 and 2009  
(Expressed in Canadian Dollars)**

## **NOTICE TO READER**

The accompanying unaudited interim financial statements of Lara Exploration Ltd. for the three months ended March 31, 2010 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)

Consolidated Balance Sheets

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

	March 31, 2010	December 31, 2009
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,860,420	\$ 2,375,295
Receivables	58,952	454,424
Current income tax receivable	244,677	189,838
Prepaid expenses and deposits	108,145	71,232
	<u>2,272,194</u>	<u>3,090,789</u>
<b>Furniture and equipment</b> (Note 5)	149,232	164,512
<b>Long-term investments</b> (Note 6)	5,611,578	4,804,591
<b>Mineral properties</b> (Note 7)	5,172,666	5,142,245
	<u>\$ 13,205,670</u>	<u>\$ 13,202,137</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 728,599	\$ 850,649
Exploration advances	83,788	-
	<u>812,387</u>	<u>850,649</u>
<b>Future income tax liability</b>	974,435	873,560
<b>Non-controlling interest</b>	113,186	113,186
	<u>1,900,008</u>	<u>1,837,395</u>
<b>Shareholders' equity</b>		
<b>Share capital</b> (Note 9)	13,260,505	13,260,499
<b>Contributed surplus</b> (Note 9)	7,399,060	7,399,060
<b>Accumulated other comprehensive income (loss)</b>	806,452	111,375
<b>Deficit</b>	<u>(10,160,355)</u>	<u>(9,406,192)</u>
	<u>11,305,662</u>	<u>11,364,742</u>
	<u>\$ 13,205,670</u>	<u>\$ 13,202,137</u>

Nature of operations (Note 1)

Approved by the Board of Directors:

Signed: "Michael Winn" \_\_\_\_\_ Director

Signed: "Miles Thompson" \_\_\_\_\_ Director

See accompanying notes to the consolidated financial statements.

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

Consolidated Statements of Operations and Comprehensive Income

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

	<u>Three Months Ended March 31,</u>	
	2010	2009
<b>Exploration expenditures (Note 8)</b>	\$ 430,587	\$ 333,845
<b>General and administrative expenses</b>		
Amortization	4,072	373
Management fees	45,000	24,712
Office, rent and administrative services	132,385	53,628
Professional fees	63,671	12,279
Shareholder information and investor relations	33,407	2,765
Stock-based compensation	-	25,818
Transfer agent and filing fees	45,932	9,303
Travel and related costs	44,059	9,079
	<u>368,526</u>	<u>137,957</u>
<b>Other expenses (income)</b>		
Change in fair value of derivative financial instruments (Note 6)	(12,612)	1,764
Foreign exchange loss (gain)	24,620	(8,522)
Interest income	(2,532)	(2,800)
Gain on sale of equipment	(1,164)	-
Other Income	-	(6,331)
	<u>8,312</u>	<u>(15,889)</u>
<b>Loss before income taxes</b>	<u>(807,425)</u>	<u>(455,913)</u>
<b>Income tax expense (recovery)</b>		
Current	(54,839)	-
Future	1,577	(30,745)
	<u>(53,262)</u>	<u>(30,745)</u>
<b>Net loss for the period</b>	<u>\$ (754,163)</u>	<u>\$ (425,168)</u>
<b>Other comprehensive income (loss)</b>		
Net loss for the period	\$ (754,163)	\$ (425,168)
Change in fair value of financial instruments (Note 6)	794,375	(132,088)
Future income tax recovery (expense)	(99,298)	3,950
<b>Comprehensive loss</b>	<u>\$ (59,086)</u>	<u>\$ (553,306)</u>
<b>Basic and diluted loss per share (Note 16)</b>	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>
<b>Weighted average number of common shares outstanding</b>		
Basic and diluted	24,905,070	19,246,501

See accompanying notes to the consolidated financial statements.

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

Consolidated Statements of Deficit and Accumulated Other Comprehensive Income

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

	<u>Three Months Ended March 31,</u>	
	2010	2009
<b>Deficit, beginning of period</b>	\$ (9,406,192)	\$ (7,829,235)
Net loss for the period	(754,163)	(425,168)
<b>Deficit, end of period</b>	\$ (10,160,355)	\$ (8,254,403)
<b>Accumulated other comprehensive income (loss), beginning of period</b>	\$ 111,375	\$ (1,114,596)
Change in fair value of financial instruments, net of future income taxes	695,077	(128,138)
<b>Accumulated other comprehensive income (loss), end of period</b>	\$ 806,452	\$ (1,242,734)

See accompanying notes to the consolidated financial statements.

**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

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

	<u>Three Months Ended March 31,</u>	
	2010	2009
<b>Cash flows from (used in) operating activities</b>		
Net loss for the period	\$ (754,163)	\$ (425,168)
Items not affecting cash		
Amortization	19,241	6,736
Gain on sale of equipment	(1,164)	-
Stock-based compensation	-	25,818
Change in fair value of derivative financial instruments	(12,612)	1,764
Future income tax recovery/expense	1,577	(30,745)
Changes in non-cash working capital items		
Receivables	340,633	18,878
Prepaid expenses and deposits	(36,913)	(15,906)
Accounts payable and accrued liabilities	(122,050)	3,791
Current income taxes payable/receivable	-	(254,795)
Exploration advances	83,788	-
	<u>(481,663)</u>	<u>(669,627)</u>
<b>Cash flows from (used in) investing activities</b>		
Mineral property acquisition costs	(30,415)	(18,315)
Purchase of equipment	(7,077)	-
Sale of equipment	4,280	-
	<u>(33,212)</u>	<u>(18,315)</u>
<b>Decrease in cash and cash equivalents</b>	<b>(514,875)</b>	<b>(687,942)</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>2,375,295</b>	<b>3,428,859</b>
<b>Cash and cash equivalents – end of period</b>	<b>\$ 1,860,420</b>	<b>\$ 2,740,917</b>
<b>Supplemental cash flow information</b>		
Interest received	\$ 2,530	\$ 233
Income tax paid	-	260,000

Supplemental disclosure with respect to cash flows (Note 12)

See accompanying notes to the consolidated financial statements.

# LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

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

March 31, 2010

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## 1. NATURE OF OPERATIONS

Lara Exploration Ltd. (the “Company”) 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. The Company’s continuing operations and ability to meet its mineral property commitments are dependent upon the Company’s ability to raise additional financing when required.

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 exploration and development of its mineral properties and upon establishing future profitable production or proceeds from the sale of the mineral properties.

## 2. BASIS OF PRESENTATION

These unaudited interim 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 complete financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. Operating results for the three months ended March 31, 2010, are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. These interim consolidated financial statements follow the same accounting policies as the annual consolidated financial statements of the Company for the year ended December 31, 2009.

### Recent Accounting Pronouncements

#### Business Combinations and Related Sections

CICA Handbook Section 1582, “Business Combinations”, Section 1601 “Consolidations” and Section 1602, “Non-Controlling Interests”, replace Sections 1581, “Business Combinations” and 1600, “Consolidated Financial Statements” respectively and establish a new section for accounting for a non-controlling interest in a subsidiary. The new standards revise guidance on the determination of the carrying amount of assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. These standards are effective January 1, 2011 prospectively, with early adoption permitted. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. These new sections effectively bring Canadian GAAP into line with IFRS. The Company does not expect to adopt these new CICA Handbook sections prior to January 1, 2011. At that point, the Company will begin reporting its financial results under IFRS and therefore does not expect that these new Handbook sections will have any impact on the Company’s financial statements in the interim period.

## LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

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

March 31, 2010

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### 3. ACQUISITION OF MAXY GOLD CORP.

On December 21, 2009, Lara completed the acquisition of Maxy Gold Corp. (“Maxy”) through a Plan of Arrangement (the “Acquisition”) that resulted in the Maxy shareholders receiving 0.125 common share of Lara in exchange for one common share of Maxy. The acquisition resulted in Lara issuing 4,307,738 common shares for 100% of the issued and outstanding common shares of Maxy. Maxy’s outstanding stock options were also exchanged on the same basis as the common shares. On completion of the transaction, Maxy became a wholly-owned subsidiary of Lara. As part of the acquisition, Lara issued 183,750 replacement options to the Maxy option holders as at December 21, 2009. These options were issued on a ratio of 0.125 Lara option for one Maxy option. These options were originally granted on March 22, 2005 and on February 21, 2008. They were valued using the Black-Scholes option pricing model which resulted in a fair value of \$3,800 which was included in the total purchase price of \$3,460,648. The share consideration has been valued at \$0.79 per share based on the closing market price of Lara’s common share on December 21, 2009. The purchase price allocation is as follows:

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<b>Purchase Price:</b>	
Issuance of Lara common shares	\$ 3,403,113
Fair value of Lara stock options granted	3,800
Transaction costs	53,741
	<hr/>
	\$ 3,460,654

<b>Purchase Price Allocation:</b>	
Cash	\$ 73,985
Receivables	11,955
Prepaid expenses and deposits	42,918
Equipment	54,502
Mineral properties (Note 7)	5,009,494
Accounts payable and accrued liabilities	(764,014)
Future income tax liability	(855,000)
Non-controlling interest	(113,186)
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	\$ 3,460,654

### 4. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period’s presentation.

## LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

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

March 31, 2010

### 5. FURNITURE AND EQUIPMENT

	March 31, 2010		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 122,255	\$ 37,131	\$ 85,124
Field equipment	93,948	29,840	64,108
	\$ 216,203	\$ 66,971	\$ 149,232

### 6. LONG-TERM INVESTMENTS

The Company owns 1,180,872 common shares of Sprott Resource Corp. ("Sprott"), 200,000 shares of CCT Capital Ltd. ("CCT") and 200,000 share purchase warrants of CCT. The CCT share purchase warrants are derivative financial instruments and by default must be classified as held for trading investments. Both the Sprott and the CCT common shares have been designated as available for sale investments. The warrants have been valued using the Black-Scholes option pricing model using the following assumptions: an option life of 2.6 years, a risk free interest rate of 1.46%, an expected dividend yield of 0% and a volatility of 125%.

	March 31, 2010		
	Cost	Fair Value	Unrealized Gain (Loss)
<b>Available for sale investments</b>			
CCT – 200,000 common shares	\$ 21,924	\$ 35,000	\$ 13,076
Sprott – 1,180,872 common shares	4,623,114	5,550,098	926,984
	4,645,038	5,585,098	940,060
<b>Held for trading investments</b>			
CCT – 200,000 share purchase warrants	11,076	26,480	15,404
	\$ 4,656,114	\$ 5,611,578	\$ 955,464

## LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

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

March 31, 2010

### 7. MINERAL PROPERTIES

	2010	2009
Midu – China	\$ 1,000,000	\$ 1,000,000
Condorama – Peru	1,202,847	1,202,847
Chocos – Peru	1,202,847	1,202,847
Sumaq / Sami – Peru	601,423	601,423
Corina – Peru	601,423	601,423
Picha – Peru	200,474	200,474
Other minor properties – Peru	200,480	200,474
São Lourenço – Brazil	99,947	69,532
Campos Verdes – Brazil	63,224	63,224
Minas Dixon – Peru	1	1
Balance, December 31	\$ 5,172,666	\$ 5,142,245

On December 21, 2009, Lara acquired Maxy Gold Corp. (Note 3) and as part of that transaction acquired exploration properties in China and Peru which include: Midu, Condorama, Chocos, Sumaq, Corina, Picha and other minor properties in Peru. The values attributed to these properties are disclosed in the table above. In January, Lara made an option payment of US\$30,000 on the São Lourenço property which has been capitalized to mineral properties. The amounts shown for mineral properties represent acquisition costs incurred to date, less recoveries and write-downs, and are not intended to reflect present or future values.

#### **Brazil**

##### ***Araguaia Nickel Project***

In 2009, the Company currently holds 66,334 hectares and continues to hold six exploration licenses.

##### ***Campos Verdes Gold Project***

The Company currently holds three exploration licenses, which total 5,921 hectares.

##### ***Canabrava VMS Project***

The Canabrava VMS Project comprises 19 exploration licenses covering a total of 28,048 hectares in Goiás and Tocantins states, registered by the Company between 2006 and 2008. In May 2008, the Company signed a letter of intent with Votorantim Metais Zinco S.A. (Votorantim Metais”) whereby Votorantim Metais may earn up to a 75% interest in the Company’s Canabrava VMS Project by funding further exploration and development work on the project. Votorantim Metais can earn an initial 55% interest in the project by funding \$2.5 million of exploration expenditures over a three-year period. It may then elect to increase its interest to 70% by delivering a feasibility study within a further two years. Subject to agreement by the Company and a decision to construct a mine at Canabrava, Votorantim Metais may raise its interest to 75% by funding the Company’s equity cost of the mine development, on terms substantially the same as those of the debt financing. Votorantim Metais has also contributed 17 mineral rights to the joint venture, such that the total holdings are now 52,414 hectares.

## **LARA EXPLORATION LTD.**

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Notes to the Consolidated Financial Statements

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March 31, 2010

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### **7. MINERAL PROPERTIES (Continued)**

#### **Curionópolis**

Lara has an option to acquire a 100% interest in the Curionópolis Property from Redrock Exploration (BVI) Ltd. (“Redrock”) for US\$630,000 in cash payments and US\$2.7 million in exploration expenditures over a three-year period. Redrock and its Brazilian subsidiaries are companies wholly-owned and controlled by the Company’s CEO and an employee of the Company. The Company has simultaneously completed an agreement whereby Vertical Mineração Ltda. (“Vertical”), a special purpose company owned by a group of Brazilian iron producers will acquire the iron ore targets on the Curionópolis Property for cash payments, exploration work commitments and royalties. Under the terms of that agreement, Lara will cede approximately 1,500 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\$3.0 million in exploration expenditures over a three year period and a \$3/tonne to \$4/ tonne royalty payment on any lump iron 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.

#### **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 could extend its option for an additional two years by making payments of US\$15,000 (paid), US\$30,000 (paid) 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.

#### **Granulitos Gold**

During 2009 the Company undertook a series of grass roots exploration programs for gold in Central Brazil. The focus of these programs was to target gold mineralization in high-grade metamorphic terrains using models and techniques developed in the Canadian and Australian Shield areas in recent years. Review of historical datasets and field reconnaissance has led to the Company registering claims and subsequently being granted 31 licenses covering a total of 50,465 hectares in five areas: Silvania, Vianopolis, Orizona, Extrema and Santa Cruz.

#### **Peru**

##### ***Lara Prospect***

The Company owns a 100% interest in three mining properties comprising 1,800 hectares through its wholly-owned subsidiary, Minas Dixon S.A. (“Minas Dixon”). Pursuant to an underlying finder’s fee agreement dated October 5, 1994, Minas Dixon 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 (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. During

## **LARA EXPLORATION LTD.**

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Notes to the Consolidated Financial Statements

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

March 31, 2010

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### **7. MINERAL PROPERTIES (Continued)**

the quarter ended March 31, 2010 the Company entered into an option agreement with Redzone Resources Ltd. (“Redzone”) whereby Redzone may earn up to a 75% interest in the Company’s Lara Copper and Tingo Este projects in the southern Peruvian coastal belt. Redzone may earn an initial 55% interest in the projects by spending US\$2.5 million in exploration and issuing 850,000 common shares of Redzone to Lara over a three-year term. Redzone may then elect to earn an additional 20% interest in the projects by completing a bankable feasibility study and making a one-time cash payment to Lara of US\$1.5 million on or before January 28, 2015. Lara retains a 1% net smelter royalty on all production from the projects. Redzone is the project operator. The minimum first year exploration expenditure is US\$500,000. At the end of the quarter Redzone advanced Lara \$83,788 for exploration expenditures on this project.

#### **Maxy Peru Properties**

By acquiring Maxy (note 3), Lara now has a 100% interest in 11 gold and base metal properties in Peru. There is 2% net smelter returns royalty payable on the Chocos and Condorama properties if they are put into commercial production. The Company also has a 100% interest in 5 additional properties in Peru, which were staked by Maxy.

#### **Midu, China**

Lara has acquired a 75% interest in the Midu Gold Project located in Yunnan Province, through a joint venture company called Yunnan Xinyun Mining Co. The interest is held through its wholly owned subsidiary, Scorpio Resources Corp., which entered into a cooperative joint venture contract with a Chinese partner.

#### **Brazil and Colombia**

##### **Phosphate and Potash Properties**

Prior to December 2009, Lara and Sprott had formed a Strategic Alliance (“Alliance”) to acquire fertilizer feedstock mineral projects in Brazil and Colombia. Each company had a 50% interest in the Alliance. During 2009, the Alliance was actively exploring for phosphates and potash in Colombia and Brazil. In December 2009 Lara transferred its 0.5% royalty on the Mantaro Phosphate Project in Peru in exchange for Sprott’s 50% interest in the Alliance and Lara now holds a 100% interest in the Alliance properties. The Company holds 42,636 hectares of phosphate exploration licenses in Brazil and claims for a further 79,745 hectares in Colombia. The 21,689 hectares of potash exploration licenses in Sergipe State, Northeast Brazil have been optioned to Talon Metals Corp., whereby Talon has an option to earn a 75% interest in Lara’s licenses by paying US\$0.5 million in cash and undertaking a minimum US\$4 million exploration work program over four years and delivering a Resource Report on the projects by late 2014. Talon will be the operator of the work programs, which must include at least five drill holes targeting potentially economic potash-bearing evaporite sequences within Lara’s licenses.

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

March 31, 2010

### 8. EXPLORATION EXPENDITURES

Exploration expenditures incurred during the quarter ended March 31, 2010 were as follows:

	Campos Verdes	Araguaia	Goiás Gold	General Gold	Other	Total Brazil	Peru	Colombia	Total
Salaries and consultants	\$ 852	\$ 914	\$ 11,015	\$ 54,896	\$ 3,394	\$ 71,071	\$ 45,093	\$ 6,501	\$ 122,665
Office and administrative	967	1,038	12,518	62,390	3,788	80,701	20,630	5,940	107,271
Field costs	36	62	17,771	2,327	8,121	28,317	-	652	28,969
Travel and related costs	333	1,755	3,597	2,600	367	8,652	5,527	3,989	18,168
Assays	76	82	7,235	4,900	298	12,591	-	-	12,591
Property maintenance costs	1,590	527	-	135,859	-	137,976	-	-	137,976
Telecommunications	219	-	191	-	-	410	2,537	-	2,947
Trenching	-	-	-	-	-	-	-	-	-
	4,073	4,378	52,327	262,972	15,968	339,718	73,787	17,082	430,587
Recoveries	-	-	-	-	-	-	-	-	-
	\$ 4,073	\$ 4,378	\$ 52,327	\$ 262,972	\$ 15,968	\$ 339,718	\$ 73,787	\$ 17,082	\$ 430,587

Exploration expenditures incurred during the quarter ended March 31, 2009 were as follows:

	Campos Verdes	Curionoplis	Sao Lourenco	T'Gold	Other	Total Brazil	Peru	Colombia	Total
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
Drilling	-	-	-	-	-	-	-	-	-
Field costs	297	5,291	17,950	-	85	23,623	-	-	23,623
Travel and related costs	3,122	8,178	13,841	-	1,775	26,916	-	-	26,916
Assays	234	11,267	57,036	-	67	68,604	-	-	68,604
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
Vehicle	-	-	-	-	-	-	-	-	-
Trenching	-	-	-	-	-	-	-	-	-
	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

## LARA EXPLORATION LTD.

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Notes to the Consolidated Financial Statements

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

March 31, 2010

### 9. SHARE CAPITAL

#### Authorized

Unlimited common shares without par value

Unlimited first preferred shares without par value

Unlimited second preferred shares without par value

#### Issued and outstanding

	Number of Shares		Amount		Common Shares Contributed Surplus
Balance, December 31, 2009	\$	24,905,067	\$	13,260,499	\$ 7,399,060
Issued for Maxy acquisition		5		6	-
Balance, March 31, 2010	\$	24,905,072	\$	13,260,505	\$ 7,399,060

During the quarter ended March 31, 2010 Lara issued an additional 5 shares to Maxy shareholders with respect to the acquisition of Maxy Gold Corp. (Note 3), which occurred on December 21, 2009.

#### Stock options

The Company adopted a stock option plan pursuant to the policies of the TSX Venture Exchange. The maximum number of shares that may be reserved for issuance under the plan is limited to 10% of the issued common shares of the Company at any time. The vesting terms are determined by the Company's Board of Directors, at the time of the grant. The changes in stock options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2009	1,766,250	\$ 1.23
Forfeited	(196,875)	\$ 2.74
Balance, March 31, 2010	1,569,375	\$ 1.04

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

March 31, 2010

### 9. SHARE CAPITAL (Continued)

The following table summarizes the stock options outstanding and exercisable at March 31, 2010, with a weighted average life of 1.58 years:

Grant Date	Number Outstanding	Exercise Price	Number Exercisable	Expiry Date
January 11, 2006	250,000	\$ 0.51	250,000	January 11, 2011
March 16, 2006	570,000	\$ 1.35	570,000	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
October 3, 2007	10,000	\$ 1.22	10,000	October 3, 2012
June 18, 2008	355,000	\$ 0.80	355,000	June 18, 2013
October 29, 2008	15,000	\$ 0.32	15,000	October 29, 2013
May 21, 2009	57,500	\$ 0.40	57,500	May 21, 2014
February 21, 2008	36,875	\$ 3.20	36,875	February 21, 2013
	1,569,375	\$ 1.04	1,569,375	

### 10. RELATED PARTY TRANSACTIONS

During the quarter ended March 31, 2010 the Company paid \$47,900 (2009 - \$46,800) to Seabord Services Corp. ("Seabord"), a management company controlled by a director, for administrative services which include: a chief financial officer, a corporate secretary, accounting staff and office space. At March 31, 2010, Lara had deposits for future services with Seabord amounting to \$10,000. 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. As at March 31, 2010, the Company had a balance owing to Inca Pacific Resources Inc. of \$2,264 (2009 - \$Nil). Inca Pacific is related to Lara by having two directors in common. All balances due to related parties are included in accounts payable and accrued liabilities.

### 11. 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, Peru, China and Colombia (see Note 7), the equipment is located in Brazil and Peru where substantially all of the exploration expenditures are incurred (see Note 8).

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### 12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

At March 31, 2010 Lara's cash and cash equivalents consisted of \$1,831,670 in cash (December 31, 2009 - \$2,346,545) and \$28,750 in term deposits (December 31, 2009 - \$28,750).

### 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has classified its financial assets as follows:

Financial assets	March 31, 2010		
	Loans and receivables	Held-for-trading	Available-for-sale
Cash and cash equivalents	\$ -	\$ 1,860,420	\$ -
Receivable	58,592	-	-
Investments	-	26,480	5,585,098
	\$ 58,592	\$ 1,886,900	\$ 5,585,098

The carrying value of its financial assets approximates their fair value as at March 31, 2010 due to their short term maturity.

The Company classifies its only financial liability, accounts payable and accrued liabilities as other financial liabilities. The total other liabilities outstanding at March 31, 2010 was \$728,601 (December 31, 2009 - \$850,649). The carrying value of its financial liabilities approximates their fair value as at March 31, 2010 due to their short term maturity.

Fair value levels for financial assets and liabilities are as follows:

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Investments	\$ 5,585,098	\$ 26,480	\$ -	\$ 5,611,578

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### 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The Company's risk exposure and the impact on the Company's financial instrument are summarized below:

#### 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.

#### 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. As at March 31, 2010, the Company had cash and cash equivalents balance of \$1,860,420 to settle current liabilities of \$812,387. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

#### Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency and other price risk.

#### Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, Brazil, Peru and Colombia, although currently there is limited activity in Peru and Colombia, and a portion of the Company's expenses are incurred in Brazilian Reals. A significant change in the currency 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, 2010, the Company is exposed to currency risk through the following assets and liabilities denominated in Brazilian Reals.

	<u>Brazilian Reals</u>
Cash and cash equivalents	\$ 188,264
Receivables	54,550
Accounts payable and accrued liabilities	(130,399)
Net exposure	(112,415)
Canadian dollar equivalent	\$ (63,597)

Based on the above net exposure as at March 31, 2010, 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 \$6,360 (2009 - \$4,663) in the Company's pre-tax earnings (loss).

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### **13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

#### **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 minimal.

#### **Other Price Risk**

Other price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign exchange risk. The Company is exposed to other price risk with respect to its marketable securities. At March 31, 2010 a 10% change in the market price of Lara's available for sale investments would increase or decrease other comprehensive income by \$558,510 on a before tax basis.

#### **Commodity Price Risk**

Lara is exposed to commodity price risk. Declines in the market price of gold, base metals and other minerals may adversely affect Lara's ability to raise capital or attract joint venture partners in order to fund its ongoing exploration and administration activities.

### **14. 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 carry its exploration programs and operating costs through its current operating period.