



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
THE NINE MONTHS ENDED SEPTEMBER 30, 2020**

**GENERAL**

This discussion and analysis of financial position and results of operations is prepared as at November 18, 2020 and should be read in conjunction with the condensed consolidated interim financial statements of Lara Exploration Ltd. (the "Company" or "Lara") for the nine months ended September 30, 2020 and the related notes thereto.

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All dollar amounts included therein and in the following management's discussion and analysis ("MD&A") are in Canadian dollars except where noted. These documents and other information relevant to the Company's activities are available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

**FORWARD-LOOKING INFORMATION**

This MD&A may contain "forward-looking statements" that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate," and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause Lara's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties, and factors may include but are not limited to unavailability of financing, failure to identify commercially viable mineral reserves, fluctuations in market prices for commodities, difficulties in obtaining required approvals or permits for the development of a mineral project and other factors.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

Lara's operating plan is dependent on its joint venture partners being able to make option payments and fund exploration activities on some of the properties that Lara holds. The operating plan is also dependent on being able to raise new equity funds and sell investments as required to raise enough capital to acquire and explore new properties. Other factors that affect Lara's operating plan are commodity prices, gaining access to exploration properties by securing or renewing licenses, and concluding agreements with local communities. If any of these factors impact the Company in a negative way, such as joint venture partners being unable to raise enough capital to complete option agreements or if the Company is unable to raise enough capital of its own, there will be a significant impact on the Company's operating plan and any forward-looking statements contained herein.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise, except as required by securities law.

## COMPANY OVERVIEW

Lara is a prospect and royalty generator with a strategy to seek exploration discoveries and create royalty interests in South America, aiming to fund a significant portion of its mineral exploration costs through joint ventures and partnership agreements. This approach significantly reduces the technical and financial risk for the Company, without losing exposure to the shareholder value enhancement of a major discovery. Lara's experienced management team has already made multiple discoveries and is well established in South America. Currently, the Company is focused and most active in Brazil and Peru.

## COMPANY HIGHLIGHTS FOR THE QUARTER ENDED SEPTEMBER 30, 2020

- Start-up of mining and processing at the Celesta Copper Project in northern Brazil, where Lara has a 5% equity interest and a 2% royalty.
- Completion of an option agreement to sell the 45%-owned Lara Copper Project in southern Peru, to Peruvian-listed miner Minsur S.A., for US\$5.75m in cash and a 1.5% royalty.
- Sale of the Fofoca South Gold Project in northern Brazil to Serabi Mining plc for US\$100,000 and a 2% royalty.
- Restart of mining, processing and sales at the Bifox Phosphate Project in northern Chile, where the Company has a roughly 14% equity interest and a 2% royalty.

## EXPLORATION REVIEW

Lara currently holds or participates in exploration and royalty projects hosting copper, gold, iron, phosphate, vanadium, and zinc mineralization, with exploration drilling mostly funded through joint venture partnerships. The Company holds eight active projects in Brazil, two of which are partner funded joint ventures and five royalty interests. The Peru portfolio comprises nine exploration projects, one partner funded, and four converted to royalty interests. The Company also has an equity and royalty interest in Bifox Limited ("Bifox"), that has a producing phosphate mine in northern Chile.

## OUTLOOK

Lara has generated and participates in three copper-gold discoveries in the Carajás Mineral Province of northern Brazil, at Liberdade, Planalto, and Celesta. The Liberdade discovery remains in a legal dispute between our partner, the National Copper Corporation of Chile, or Codelco, and Brazilian miner Vale S.A. ("Vale"), where we continue to monitor progress through the Brazilian courts. Planalto is being more actively developed, and we are working with partner Capstone Mining Corp. ("Capstone"), to define and test extensions of the known mineralization and new targets on the property and with the lifting of local travel restrictions, the Company resumed fieldwork at Planalto in Q3. Development work at Celesta is now complete, and the operation is gradually ramping up to full production.

In Peru, we made a new precious metals discovery at Corina with London-listed Hochschild Mining plc ("Hochschild") in 2019. The Corina project lies close to Hochschild's Pallancata mine and mill at Selene that are running out of reserves, so Corina is a high priority project. We expect Hochschild to embark on a more substantial drill program in 2021. We were pleased to complete an option agreement with Minsur to reactivate our Lara Copper Project and expect fieldwork to resume there in 2021. Our generative work in Peru is resuming in Q4.

In January 2020 Bifox was finally able to settle the long-standing legal case with the Chilean government that it inherited when the phosphate mining licenses at Bahia Inglesa were acquired and in Q3, mining, processing and sales of direct application phosphate were able to resume.

The coronavirus COVID-19 pandemic has had various effects on the Company's activities, with Brazil, Peru, Chile, Canada, and the UK all have been or are under some form of lockdown, which is likely to limit our ability to move

some projects forward and to acquire new ones in the short term. While it is not possible to predict the duration or magnitude of the Covid-19 outbreak and its effects on the Company's business, we will continue to work to keep our team, the people around us, and the Company in good health.

## **BRAZIL EXPLORATION**

### ***Planalto Copper Project***

The Planalto Project comprises three licenses, covering an IOCG copper discovery, located near Vale's Sossego copper mine and Oz Minerals' Antas copper mine, in the Carajás Mineral Province of northern Brazil. The Project is being explored through an option and joint venture agreement with Canadian listed copper miner Capstone (see Company news release of February 4, 2019, for details) that is funding all costs through to production in exchange for a 70% interest in the project, with Lara currently the operator.

Drilling has defined a number of copper-gold targets, with the best results to date on the Homestead target. The latest round of drilling (see Company news release of April 20, 2020, for details) tested extensions of the mineralization intersected to the west and northwest of the Homestead mineralized zone. Another hole drilled to the east of the previously known mineralization intersected a new zone of blind copper-gold mineralization at a depth of approximately 200 metres below the surface. Two further holes in the Silica Cap target, at the southern end of Homestead, both intersected anomalous copper mineralization close to the granite-mafic volcanic contact similar to that seen in the previous drilling.

The gradual lifting of local travel restrictions and the implementation of appropriate protocols has meant that we were able to resume fieldwork in Q3, completing additional surface geochem sampling, metallurgical testing, environmental baseline studies and terrestrial geophysics (IP), some of which will continue through Q4, with the aim to have targets ready for the next round of drilling in early 2021.

### ***Celesta Copper Project***

The Celesta Copper Project comprises multiple high-grade IOCG breccias, where drilling has so far defined a resource of 2.14 million tonnes grading 4.2% copper and 0.66 parts per million ("ppm") gold on the Osmar target (please refer to the Company's 43-101 Technical Report "Maravaia Copper-Gold Deposit, Carajás Mining District, Pará, Brazil" by João Batista G. Teixeira, dated September 28, 2016, and available on the Company's website and Sedar). Lara owns 5% of the shares of Celesta without the obligation to contribute to the start-up costs and continues to hold a 2% royalty on any production

Brazil defined mining as an essential service allowing work to continue during the Covid-19 pandemic, which allowed Celesta to continue and complete development and construction work, albeit with some delays, and start mining and processing in July. First concentrates were shipped at the end of July with a total of 568 tonnes of concentrate shipped in Q3, containing 225 tonnes of copper and 580 troy ounces of gold. Production and sales are expected to gradually ramp up in the coming months, aiming to achieve commercial production around the end of Q1-2021.

### ***Fofoca South Gold Prospect***

The Fofoca South property comprises an exploration license, 946.54 hectares in area, located within the main NW-SE trending Tapajos shear zone, which is host to number of well-known gold mines and deposits: Cuiú-Cuiú, Tocantinzinho, Palito, São Chico, Fofoca and São Jorge. The Fofoca South property has a number of surface geochem and geophysical anomalies and abandoned surface workings and lies immediately adjacent to the Fofoca deposit, which has a National Instrument 43-101 compliant technical report, prepared for Aurora Gold Corp., and dated October 15, 2013 by Geosure Exploration & Mining Solutions Pty Ltd ("Geosure") including an inferred resource estimate of 2.1 Mt at 2.0 g/t Au for 130,000oz Au, using a cut off grade of 0.5 g/t Au.

During the period the Company completed an agreement to sell the prospect to London-listed Serabi Gold plc. (“Serabi”), for US\$100,000 in cash (paid) and a 2% Net Smelter Return Royalty (“NSR”). Fofoca South is close to and partially adjacent to the main block of tenements held by Serabi in the Tapajos Region and 4 km to the northwest of Serabi’s São Chico underground gold mine. Upon completion of a JORC or NI-43-101 compliant technical report, Serabi can elect to purchase half the royalty (1%) for greater of US\$10 per gold ounce or US\$500,000.

## **PERU EXPLORATION**

### ***Corina Gold Project***

Corina is located within a belt of Tertiary-age volcanic rocks that are host to the Pallancata and Immaculada gold and silver mining operations owned by Hochschild Mining plc., approximately 15 km north of Hochschild’s Selene Mill, serving the Pallancata mine, which only has reserves for another 2-3 years. Hochschild has the option to purchase the Corina Project from Lara by making staged cash payments totalling US\$4,150,000 (US\$650,000 has been paid to date) and pay a 2% net smelter return royalty on any future production (see Company news release of June 23, 2014, for details).

In 2019 Hochschild’s first-pass drill program at Corina made a discovery, with multiple gold and silver intercepts in low sulphidation epithermal mineralization from two subparallel veins/structures (see Company news release of October 1, 2019, for details). Hochschild is working to secure community agreements and permits for a more substantial drill program initially planned for H2-2020, but with Covid-19 related challenges, this program has now been pushed back into 2021.

### ***Lara Copper Project***

The Lara Copper Project covers copper and molybdenum mineralization associated with porphyry intrusives within the prolific coastal batholith of southern Peru, where Lara currently has a 45% ownership. Geophysical surveys, mapping, geochemical sampling and 9,850 metres of drilling have been completed to date, outlining mineralization over an area approximately 2,000 metres by 1,000 metres, indicative of the potential for a substantial mineralized porphyry copper body.

The Company and partner Global Battery Metals Ltd. (“GBM”) have signed an Option and Royalty Agreement to sell the project for US\$5.75 million and a 1.5% NSR royalty to Minsur S.A. (“Minsur”). Minsur is a Peruvian tin and gold miner that is in the late stages of building the US\$1.6 billion Capex Mina Justa open-pit copper mine near Marcona, in the same district as the Lara project. Under the terms of the Agreement Lara and GBM have granted Minsur an exclusive option to acquire a 100% interest in the Project by making staged cash payments of US\$5.75 million, based on permitting milestones (see Company news release of July 28, 2020 for details). Minsur has also granted a 1.5% Net Smelter Return Royalty (“NSR”) to Lara (0.75%) and GBM (0.75%), payable on any production from the property. Minsur retains the right to purchase a 0.25% NSR from each of Lara and GBM (collectively one third) of the NSR for US\$5 million at any time before the commencement of commercial production.

Minsur has been compiling and reviewing data and drill cores with a view to resuming fieldwork in 2021, though timing of the next rounds of drilling are still subject to securing new community agreements and drill permits.

## **CHILE EXPLORATION**

### ***Bifox Phosphate Project***

The Bifox Phosphate Project comprises a block of exploration licenses and the option to purchase mining rights in the Bahia Inglesa basin, near Copiapó in northern Chile. Bifox has completed agreements with the Chilean government (through the Consejo de Defensa del Estado) to settle outstanding environmental infractions and fines incurred by the vendors and lift the embargo on mining and processing (see Company news release of February 18,

2020, for details). Since settling environmental infractions and fines, Bifox has been working to reinstate its permits and resume operations. Production was delayed due to the Covid-19 restrictions imposed in March, but site activities resumed in June and new operating permits issued in late July and early August. Production and sales of direct application phosphate (containing an average 22% P<sub>2</sub>O<sub>5</sub>) into the Chilean market were resumed and Bifox expects to gradually increase production over the next three to six months as the marketing and sales team generates new orders.

Bifox continues to work towards listing on the Australian Stock Exchange as phosphate production and sales revenue emerge. Lara is owed an expense reimbursement of US\$570,000 payable at listing, owns roughly 14% of the shares of Bifox currently and will receive a 2% royalty once production exceeds 50,000 per annum.

### **Qualified Person**

Michael Bennell, Lara's Vice President Exploration and a Fellow of the Australasian Institute of Mining and Metallurgy, is a Qualified Person as defined by NI 43-101 *Standards of Disclosure for Mineral Projects*, has reviewed and has approved the disclosure of the technical information in the MD&A regarding the Company's projects.

## **RESULTS OF OPERATIONS**

### **Three Months Ended September 30, 2020**

For the three months ended September 30, 2020, the Company had a net loss of \$796,332 or \$0.02 per share compared to a net loss of \$741,574 or \$0.02 per share in 2019. The variance was due to higher share-based payments and foreign exchange loss partially offset by lower exploration expenditures, increased other income and a greater increase in fair value of long-term investments.

Share-based payments were higher because 1,565,000 stock options were granted and fully vested in the quarter ended September 30, 2020 compared to none in 2019. The foreign exchange loss was higher in 2020 due to the Company holding significant US dollar cash balances in Canada while the US exchange rate weakened. In 2019, the US dollar exchange rate strengthened resulting in exchange gain on holding US dollars. In both 2019 and 2020 the Brazilian Real declined significantly in value contributing to overall exchange loss in both years.

Exploration expenditures were lower in 2020 mainly due to the option agreement with Capstone being in force for all of 2020, resulting in \$nil net expenditures on the Planalto project, while in 2019 the Company was funding the project for part of the year. Other income was higher in 2020 mainly due to sale of the Fofoca South Gold Prospect and the receipt of royalties on the Celesta Copper Project, compared to nominal other income in 2019. In 2020 the Company recorded a larger gain on the fair value increase of its equity investment in Valor Resources Ltd. than it did in 2019.

### **Nine Months Ended September 30, 2020**

For the nine months ended September 30, 2020, the Company had a net loss of \$887,055 or \$0.02 per share compared to a net loss of \$1,354,008 or \$0.04 per share in 2019. The variance was due to the same reasons as described above for the three months ended September 30, 2020, but in addition there was a write-off of exploration and evaluation assets in 2019, where there was no comparable write-off in 2020.

## SUMMARY OF QUARTERLY RESULTS

	2020	2020	2020	2019
Quarter Ended	Sept. 30	Jun. 30	Mar. 31	Dec. 31
Net exploration expenditures	\$ 99,397	\$ 83,581	\$ 86,018	\$ 364,846
Share-based payments	640,882	-	5,918	52,123
Net income (loss) for the period	(796,332)	108,063	(198,785)	200,318
Net income (loss) per share (basic and diluted)	(0.02)	0.00	(0.01)	0.01

	2019	2019	2019	2018
Quarter Ended	Sept. 30	Jun. 30	Mar. 31	Dec. 31
Net exploration expenditures	\$ 567,884	\$ 14,297	\$ 227,500	\$ 110,295
Share-based payments	7,562	7,397	19,397	27,781
Net loss for the period	(741,575)	(92,231)	(520,202)	(596,340)
Net loss per share (basic and diluted)	(0.02)	(0.00)	(0.01)	(0.02)

The net loss for each quarter is primarily based on the amount of exploration expenditures incurred, option payments paid or received, and whether stock options were granted and vested in the quarter.

### Exploration Expenditures

The Company has three main types of exploration activity: general reconnaissance, exploration of mineral properties acquired through claim staking, and exploration of mineral properties acquired through option agreements with third parties.

The amount of exploration activity in a quarter depends on whether the company is in the process of conducting general reconnaissance to acquire new relatively unexplored properties, starting to conduct exploration on recently acquired mineral properties and whether Lara is simultaneously receiving funding from a third party to conduct exploration on properties which have been optioned. For properties that have been optioned, Lara generally receives the funding, manages the exploration programs, and records the expenditures in their financial statements, net of the amounts paid by third parties.

Exploration spending is also dependent on a healthy treasury. The Company closely monitors its cash position and reduces exploration expenditures if there is not enough funding to cover all administration expenses and planned exploration expenditures each year.

### Option Payments Received from Third Parties

The Company enters into option agreements with third parties, whereby those third parties agree to acquire a majority interest in a mineral property through a combination of defined exploration expenditures and cash or share payments. Cash or share payments are first accounted for by recovering any exploration costs incurred by Lara, then any capitalized acquisition costs effect and finally, any excess payments that are received are credited to other income. Option payments can be significant during the later stages of an option agreement. If they are accounted for as exploration expense recoveries or other income, the payments will have a material effect on the Company's net income or loss for a given quarter.

### Share-based Compensation

The Company periodically grants stock options to its directors, senior management, and consultants. These grants are usually fully vested on the date of the grant, which can result in a significant share-based payment expense

occurring in a given quarter of any year. The last two major option grants, which included all directors, senior management, and consultants, occurred in 2015 and 2017. More recently, Lara has granted options to recognize a specific achievement by senior management, to compensate a new director, or to recognize ongoing contributions from current directors. The greater the number of options granted, and the higher the exercise price, the greater the amount of share-based payment expense that will be recognized.

Lara also grants bonus shares to senior management approximately every two years. The shares have generally vested, one-third on the grant date, one-third after one year, and one-third after two years. Whenever a new bonus share grant takes place, there can be a significant share-based payment expense in that quarter because the first third of the bonus shares are vested immediately, and the expense is recorded at that time. The remaining bonus shares accrue evenly over the succeeding quarters and do not generally cause a significant variation in net income or loss over those quarters.

### **FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES**

The Company had working capital of \$1,387,007 at June 30, 2020, compared to \$1,636,419 as at December 31, 2019. Working capital decreased by \$249,412 in the nine months ended September 30, 2020, due to cash consumed in operations and investing activities, partially offset by funds received for the exercise of stock options. The Company is anticipating that it will continue to receive Celesta royalty payments and further Celesta penalty payments in future months. However, Lara may need to raise additional working capital in order to sustain operations for the next twelve months.

### **OUTSTANDING SHARE DATA**

There are 39,627,608 common shares issued and outstanding. In addition, there are 3,750,000 fully vested stock options outstanding with exercise prices ranging from \$0.50 to \$1.02 per option with terms expiring between May 27, 2021, and September 1, 2025. The Company also has 2,000,000 common share purchase warrants outstanding with an exercise price of \$0.70, which expire on March 27, 2021.

### **INVESTMENTS IN ASSOCIATED COMPANY AND JOINT VENTURES**

#### **Kiwanda Coal Alliance**

The Company owns a 50% interest in Andean Coal (BVI) Ltd. ("Andean Coal"). The Company had a net investment in Andean Coal of \$131,243 as at December 31, 2018. The Company reviewed this investment for impairment at December 31, 2019, and wrote down the carrying value to \$Nil. There was no change in the value of this investment at September 30, 2020, and the Company did not recognize any losses during the quarter on its investment.

#### **Kiwanda Phosphate Alliance**

The Company owns a 50% interest in Kiwanda Alliance (BVI) Inc. ("Kiwanda BVI"). As at December 31, 2019, the Company's net investment in Kiwanda BVI was \$Nil. There was no change in the value of this investment at September 30, 2020, however, the Company invested an additional \$1,415 in Kiwanda BVI and recognized a loss of the same amount.

#### **Minas Dixon S.A.**

The Company owns a 45% interest in Minas Dixon S.A. ("Minas"). As at December 31, 2019, Lara had a net investment of \$Nil in Minas. During the nine months ended September 30, 2020, the Company made an additional investment of \$31,460 in Minas and recognized losses of the same amount.

## RELATED PARTY TRANSACTIONS

The aggregate value of transactions paid or accrued to key management personnel and directors was as follows:

<b>For the nine months ended September 30, 2020</b>	<b>Salary or fees</b>	<b>Share-based payments</b>	<b>Total</b>
Chief Executive Officer	\$ 90,000	\$ 152,476	\$ 242,476
VP Corporate Development	36,000	152,476	188,476
VP Exploration	129,967	154,845	284,812
Chief Financial Officer	-	30,258	30,258
Corporate Secretary	-	25,215	25,215
Directors	-	75,646	75,646
	<b>\$ 255,967</b>	<b>\$ 590,916</b>	<b>\$ 846,883</b>

The above payments for management compensation are payments made in the normal course of business. The amounts paid for these services are negotiated in good faith by both parties and fall within normal market ranges. The Compensation Committee reviews executive compensation annually. The Board of Directors considers any changes to executive compensation recommended by the Compensation Committee and approves these changes if appropriate. The consulting contracts with senior management are ongoing monthly commitments that can be terminated by either party with sufficient notice. All balances due to related parties are included in accounts payable and accrued liabilities.

The outstanding balances due to or from related parties are as follows:

<b>Related party assets and liabilities</b>	<b>Service or items</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>Amounts due to:</b>			
CEO	Fees and Expenses	\$ -	\$ 11,117
VP Exploration	Fees and expenses	14,054	28,578
VP Corporate Development	Fees and expenses	-	11,250

## FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

<b>As at September 30, 2020</b>	<b>FVTPL</b>	<b>Amortized Cost</b>	<b>Total</b>
Cash and cash equivalents	\$ -	\$ 1,763,386	\$1,763,386
Restricted cash equivalents	-	57,500	57,500
Receivables	-	44,650	44,650
Long-term investments	331,321	-	331,321
Accounts payable and accrued liabilities	-	(98,530)	(98,530)
Advances from JV partners	-	(339,727)	(339,727)
	<b>\$ 331,321</b>	<b>\$ 1,427,279</b>	<b>\$1,758,600</b>



## **Fair Value**

The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value due to the short-term nature of these instruments.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## **RISKS AND UNCERTAINTIES**

### **Financial Risk Management**

Lara's strategy for cash is to safeguard this asset by investing any excess cash in very low-risk financial instruments such as term deposits or by holding funds in the highest yielding accounts with a major Canadian bank. By using this strategy, the Company preserves its cash resources and can earn a low-risk return through the yields on these investments. The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk, and interest rate risk.

### **Foreign Currency Risk**

The Company operates mainly in Canada, Brazil, and Peru and is therefore exposed to financial risk related to the fluctuation of foreign exchange rates. The Company funds cash calls to its subsidiary companies outside of Canada in Canadian or US dollars, and a portion of its expenditures are incurred in the local currencies. The risk is that a significant change in the exchange rate of the Canadian dollar relative to the US dollar, the Brazilian real and the Peruvian sol 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. The Company is exposed to currency risk through assets and liabilities denominated in these foreign currencies. A 10% change in the exchange rate of these foreign currencies to the Canadian dollar would result in an increase or decrease of approximately \$172,000 to the net loss or income from operations.

### **Market and Interest Rate Risk**

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

### **Credit Risk**

Credit risk is the risk that one party will cause a financial loss for another party by failing to discharge an obligation. The Company is exposed to credit risk with respect to its cash and cash equivalents. The Company's cash and cash equivalents are mainly held through a large Canadian financial institution and are primarily held in bank accounts or GIC's and accordingly, credit risk is minimized. The Company generally does not accrue receivables for scheduled option payments, only recording them when they have been received. That procedure significantly reduces the risk of recording uncollectible receivables.

### **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. The Company's objective is to ensure that there are sufficient committed financial resources to meet its business requirements for a minimum of twelve months.

**Mineral Property Exploration and Mining Risks**

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main responses to operating risks include ensuring ownership of and access to mineral properties by confirming that option agreements, claims and leases are in good standing and obtaining permits for drilling and other exploration activities. There can be additional risks involved in some countries where pending applications for claims or licenses can be affected by government changes to application procedures.

Some of the Company's mineral properties are located within or near local communities. In these areas, it may be necessary as a practical matter to negotiate surface access with these local communities. There can be no guarantee that, despite having the legal right to access a mineral property and carry on exploration activities, that the Company will be able to negotiate a satisfactory agreement with any such existing landowners or communities for this access. Therefore, the Company or one of its joint venture partners may be unable to carry out exploration activities on a property. In those circumstances where a local community or landowner has denied access, the Company may need to rely on the assistance of local officials or the courts to gain access, or it may be forced to abandon the property.

Lara is currently earning an interest in certain of its properties through option agreements, and the acquisition of title to the properties is only completed when the option conditions have been met. These conditions generally include making cash payments to the vendor, paying annual land fees, incurring exploration expenditures on the properties, and can include the satisfactory completion of technical studies. If the Company does not satisfactorily complete these option conditions in the time frame laid out in the option agreements, the Company's title to the related property will not vest, and the Company will have to write-off the previously capitalized costs related to that property.

**Joint Venture Funding Risk**

Lara's strategy is to seek partners through joint ventures to fund exploration and project development. The main risk of this strategy is that funding partners may not be able to raise enough capital to satisfy exploration and other expenditure terms in a joint venture agreement. As a result, exploration and development of one or more of the Company's property interests may be delayed depending on whether Lara can find another partner or has enough capital resources to fund the exploration and development on its own.

**Commodity Price Risk**

Lara is exposed to commodity price risk. Declines in the market prices of gold, base metals and other minerals may adversely affect Lara's ability to raise capital or attract joint venture partners to participate in its various exploration projects. Commodity price declines could also reduce the amount the Company would receive on the disposition of one of its mineral properties.

**Financing and Share Price Fluctuation Risks**

Lara has limited financial resources, has no reliable source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may be dependent upon the Company's ability to obtain financing through equity issues, debt financing or liquidation of long-term investments. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects, which could result in the loss of one or more of its properties.

Securities markets have experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies such as Lara, have experienced wide fluctuations in share price which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on Lara's ability to raise additional funds through equity issues.

**Political and Currency Risks**

The Company is operating in countries that currently have varied political environments. Changing political situations may affect the way the Company operates. The Company's equity financings are sourced in Canadian dollars, but for the most part, it incurs its expenditures in local currencies. There are no currency hedges in place. Therefore, a weakening of the Canadian dollar against the Brazilian real or Peruvian sol could have an adverse impact on the amount of exploration conducted.

**Insured and Uninsured Risks**

During exploration, development, and production on mineral properties, the Company is subject to many risks and hazards in general, including adverse environmental conditions, operational accidents, labour disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as severe weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's property or facilities and equipment, personal injury or death, environmental damage to mineral properties, delays, monetary losses, and possible legal liability.

Although the Company may maintain insurance to protect itself against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results, and cause a decline in the value of the Company's securities. Some work is carried out through independent consultants, and the Company requires that all consultants carry their insurance to cover any potential liabilities because of their work on a project.

**Key Personnel Risk**

Lara's success is dependent upon the performance of key personnel working in management and administrative capacities or as consultants. The loss of the services of senior management or key personnel could have a material and adverse effect on the Company, its business, and results of operations.

**Environmental Risks and Hazards**

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors, and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect Lara's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present.

**Competition**

The Company competes with many other companies and individuals that have substantially greater financial and technical resources for the acquisition and development of projects as well as for the recruitment and retention of qualified employees.

**COVID-19**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.