



**LARA EXPLORATION LTD.**

(An Exploration Stage Company)

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED MARCH 31, 2023  
(Expressed in Canadian dollars)**

## **GENERAL**

This discussion and analysis of financial position and results of operations is prepared as at May 17, 2023, and should be read in conjunction with the condensed consolidated interim financial statements of Lara Exploration Ltd. (the “Company”, “Lara”, or “we”) for the three months ended March 31, 2023, 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.

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 value enhancement of a major discovery. Lara’s experienced management team has already made multiple discoveries and is well established in South America, with projects in Brazil, Peru and Chile.

## **COMPANY HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2023**

- Planalto Copper Project (Brazil) - Capstone elected to raise its interest to 51% and become the project operator and can further raise its interest from 51% to 61% by delivering a feasibility study by December 31, 2026 under the amended timeframe.
- Kenita Polymetallic Project (Peru) - Lara substantially expanded mineralized footprint, along six major breccia veins and five related mantos (mineralized limestone beds) with significant silver, zinc, and lead values.
- Picha Copper-Silver Royalty (Peru) - Valor Resources outlines new targets and secures permit to drill.

## **EXPLORATION REVIEW**

Lara currently holds or participates in exploration and royalty projects hosting copper, gold, silver, iron, phosphate, vanadium, tin, lead, and zinc mineralization, with exploration drilling mostly funded through joint venture partnerships. The Company holds nine active projects in Brazil, two of which are partner-funded joint ventures and five royalty interests, including the production-ready Celesta copper mine. The Peru portfolio comprises seven exploration projects, four of which have been or are being converted to royalty interests. The Company also has an equity and royalty interest in Bifox Limited (“Bifox”), which has a producing phosphate mine in northern Chile.

## **OUTLOOK**

In Brazil, 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, but we received a favourable ruling from the lower courts in 2022 and now view our prospects with more optimism. Planalto is being more actively developed with partner Capstone Copper Corp. (“Capstone”) to define and test extensions of the Homestead and Cupuzeiro discoveries. The program for 2023 is to drill another 10,000 metres testing the gap between Homestead and Cupuzeiro and lateral extensions to extend and define the limits of the mineralization. Celesta was producing until Q3-2022 and paid royalties until Q2-2022 but has struggled with a lack of working capital, and operations have currently been suspended pending the raising of new finance.

In Peru, we have started work on a technical review and report on our Corina Gold-Silver discovery and have begun the search for a new partner to continue the drilling. We reported encouraging zinc-lead-silver results from surface channels at our 100%-owned Puituco zinc project in 2018, but the potential was limited by the small size of Lara’s 400-hectare property, so we were pleased to be able to acquire surrounding ground from BHP in 2021 and now hold an additional 2,200 hectares, which we start evaluating in 2022 and plan to continue working in through 2023, mapping and sampling both mineralized breccia structures and related mantos. We were also pleased to see Valor Resources continue to report good copper results from ongoing exploration work at the Picha Copper Project, where we retain a 2% Net Smelter Return Royalty (“NSR”) royalty. During 2022, we agreed to raise our interest in the Mantaro Phosphate Project from 33% to 70% by funding the next US\$500,000 of project expenses; we resumed work on the project in Q4-2022 and plan to continue technical studies and community engagement through 2023.

In Chile, Lara holds a minority interest and a royalty Bifox Ltd., which has resumed production of direct application phosphate at Bahia Inglesa in northern Chile and continues to seek pre-IPO financing to build up phosphate production and complete an ASX listing. During the period, we were actively looking at generative ideas and new properties in Chile and plan to continue that work in 2023.

## **BRAZIL EXPLORATION**

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

The Planalto Project comprises three licenses, covering an IOCG copper discovery located between Vale's Sossego copper mine and Cristalino deposit and Oz Minerals' Antas and Pedra Branca copper mines in the Carajás Mineral Province of northern Brazil. The project is being explored through an option agreement with Canadian-listed copper miner Capstone that is funding all costs to production in exchange for a 70% interest in the project. The partnership has discovered two mineralized targets, Homestead and Cupuzeiro, with a further 7,682 metres of drilling completed in 2022 and Q1-2023, primarily focused on the new Cupuzeiro discovery. The 2023 program, expected to start in Q2 will comprise a minimum of 10,000 metres of drilling to test the gap between them and other potential lateral extensions to the known mineralization.

Capstone completed its initial earn-in of US\$5 million for 49% in Q4-2022. On February 10, 2023, it elected to raise its interest to 51% and become the project operator in exchange for funding further exploration work and feasibility studies and by paying US\$400,000 in cash to Lara. Capstone can raise its interest from 51% to 61% by delivering a feasibility study. Lara and Capstone further amended the Planalto Option Agreement, extending the timeframe to start the feasibility study, given that further drilling is needed in 2023-2024 to find the limits of the mineralization and infill drilling for resource estimates. Under the terms of this amendment, Capstone will deliver a Preliminary Economic Assessment and pay a total of US\$750,000 cash to Lara on or before March 31, 2024, complete a total of 32,000 meters of exploration and infill drilling on the Property by December 31, 2024, with a minimum of 10,000 metres of exploration drilling to be completed by December 31, 2023, then make a final payment of US\$1,000,000 in cash to Lara by June 30, 2025, and then deliver a Feasibility Study by December 31, 2026.

## **PERU EXPLORATION**

### ***Mantaro Phosphate Project***

The Mantaro Phosphate Project covers part of a substantial sedimentary phosphate belt near the town of Huancayo in the Junín District of central Peru. The property is located near a major rail line connecting Huancayo with Lima and the port of Callao, with high-tension transmission lines crossing the property on its western side, and accessible from the national highway connecting Huancayo to Lima. Lara has held a royalty interest in the project since 2008, but in 2021 the mineral rights were returned by Itafos Inc., which did not wish to develop the project. Lara initially held only a one-third interest, but in March 2022, agreed to raise its interest to 70% by sole-funding US\$500,000 of project investments by the end of 2025. In Q4-2022, Lara also signed agreements with Itafos Inc. to acquire all the drill core.

Previous exploration, including trenching, drilling and technical studies, identified an extensive zone of phosphate mineralization that is amenable to beneficiation and production of phosphate rock concentrate. Stonegate Agricom Ltd. (subsequently acquired by Itafos Inc.) filed a NI 43-101 Technical Report on SEDAR on March 16, 2010 ("Technical Report on the Mantaro Phosphate Deposit Junín District Peru" authored by Donald H. Hains and Michelle Stone, of Hains Technology Associates).

In 2022, the Company began work on the project to review surface outcrops of the mineralization and the historic drill core. The 2023 program is primarily aimed at re-engaging with the local communities and seeking support so that we can apply for permits for additional exploration and development work.

### ***Corina Silver-Gold Project***

Lara, with then partner Hochschild, made a significant discovery at Corina in 2019, with multiple gold and silver drill intercepts in low sulphidation epithermal mineralization from two subparallel veins/structures (please see the Company's news release of October 1, 2019, for details). Hochschild completed a further 2,318 metres of resource drilling in Q4-2020 on the Corina structure with excellent results (please see the Company's news release of February 2, 2021, for details), but elected to return the project in late 2022 when it shut down its exploration division.

Lara has received the drill core, samples, and database, which are being reviewed and work has begun on preparation of a technical report on the area already drilled and the search for a new partner to continue exploration and develop the project.

### ***Kenita Polymetallic Project***

The Kenita Project is located in the Huancavelica Department of Central Peru to the north of the Riqueza project held by Inca Minerals Ltd. Minera IRL Ltd.'s Corihuarmi high sulphidation epithermal gold mine and the Bethania polymetallic mine, being redeveloped by Kuya Silver Corp., also lie on the same trend to the northwest. The project comprises the original 400 hectare Puituco licenses acquired by Lara at auction and the 2,200 hectares of Kenita licenses acquired from BHP World Exploration Inc. Sucursal del Peru ("BHP") for a 1% NSR in 2021. For clarity, the Company has elected to call the project Kenita.

The Company originally completed a mapping and surface chip channel sampling program to evaluate polymetallic brecciated feeder structures and related mantos in 2018 (please see the Company's release of June 12, 2018, for details) and in 2022 began work on extending this into the newly acquired licenses. Mineralization comprises hydrothermal breccias filling NE-SW oriented tension structures (related to a major regional structure, the NW-SE oriented Chonta Fault) and related mantos, where fluids have been driven laterally into the limestone beds and recrystallized and brecciated them. The Company released the results of the 2022 program on April 4, 2023 and continues work to define the extent of the mineralized structures.

### ***Picha Copper Royalty***

The Company sold the Picha Project to Australian-listed Valor Resources and retains an NSR on any future production of 2% for precious metals and 1% for base metals. The project is in the Moquegua Department of southern Peru, approximately 17km ENE of Compañía de Minas Buenaventura S.A.'s San Gabriel gold development project. Lara completed geological and alteration mapping, surface sampling and ground geophysics (158-line km of magnetic and 65-line km of induced polarization surveys) on the project. This work reported positive copper results from sampling and the widespread alteration, brecciation, vein stock working and geophysical anomalies, indicating the potential to discover a porphyry system at depth. In 2021, Valor resumed work at the project and has continued to report widespread significant copper and silver mineralisation from its program of surface mapping and sampling (please see the Company's news release of October 18, 2021, for details) through 2022 and into 2023.

### ***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 March 31, 2023

For the three months ended March 31, 2023, the Company had a loss of \$594,942 or \$0.01 per share compared to \$108,781 or \$0.00 per share during the comparative period. The variance was primarily due to the loss of \$168,459 related to the derecognition of a former subsidiary when Capstone elected to raise its interest to 51% in Copper Projects Ltd. and become the operator of the Planalto Copper Project. In addition, there were minor increases in both exploration expenditures and general and administrative expenses.

### SUMMARY OF QUARTERLY RESULTS

	2023	2022	2022	2022
Quarter Ended	Mar. 31	Dec. 31	Sept. 30	Jun. 30
Net exploration expenditures	\$ 162,546	\$ 140,166	\$ 14,380	\$ 193,330
Share-based payments	-	-	-	-
Net income (loss) for the period	(594,942)	358,028	(116,741)	(477,088)
Net income (loss) per share (basic and diluted)	(0.01)	0.01	(0.00)	(0.01)

	2022	2021	2021	2021
Quarter Ended	Mar. 31	Dec. 31	Sept. 30	Jun. 30
Net exploration expenditures	\$ 109,251	\$ 147,498	\$ 163,863	\$ 155,346
Share-based payments	-	-	-	16,636
Net loss for the period	(108,781)	3,015,671	(160,706)	(329,386)
Net loss per share (basic and diluted)	(0.00)	0.08	(0.00)	(0.01)

The net income or 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 insufficient funding to cover all administration expenses and planned exploration expenditures.

### 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 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 2020 and 2017. Lara has granted options to recognize a specific achievement by senior management, compensate a new director, or 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 successive quarters and do not generally cause a significant variation in net income or loss.

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

The Company had working capital of \$3,801,373 as at March 31, 2023, compared to \$4,287,393 as at December 31, 2022. Working capital creased by \$486,020 in the three months ended March 31, 2023, due primarily to cash consumed to cover exploration and administration expenditures. The Company has reported a significant value in its investment in Bifox. However, those shares cannot be easily liquidated, and therefore the Company does not expect that they will be a source of cash to fund operations in 2023. The Company has sufficient capital resources to maintain its operations for twelve months.

### **OUTSTANDING SHARE DATA**

There are 45,801,014 common shares issued and outstanding. In addition, there are 4,135,000 fully vested stock options outstanding with exercise prices ranging from \$0.50 to \$0.79 per option with terms expiring between November 13, 2024 and April 19, 2028. Lara has 3,086,703 share purchase warrants outstanding with an exercise price of \$1.00 expiring on June 17, 2025.

## RELATED PARTY TRANSACTIONS

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

<b>For the three months ended March 31, 2023</b>	<b>Salary or fees</b>
Chief Executive Officer	\$ 49,188
VP Corporate Development	30,000
VP Exploration	-
Seabord Management Corp.	53,400
	<b>\$ 132,588</b>

The above payments for management compensation are 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.

Seabord Management Corp. ("Seabord") is related to Lara because it provides the Company key management personnel services, such as the Chief Financial Officer and Corporate Secretary, who are employees of Seabord and are not paid directly by the Company. As at March 31, 2023 and December 31, 2022, the Company has provided a \$10,000 deposit in connection with the service agreement with Seabord.

As at March 31, 2023, the Company had \$Nil (December 31, 2022 - \$21,944) due to directors and management related to remuneration and expense reimbursements, which have been included in accounts payable and accrued liabilities.

## FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

	<b>March 31 2023</b>	<b>December 31 2022</b>
<b>Financial assets - FVTPL:</b>		
Long-term investments	\$ 3,357,654	\$ 3,394,189
<b>Financial assets - amortized costs:</b>		
Cash and cash equivalents	2,365,331	3,275,810
Restricted cash equivalents	1,557,500	1,597,391
Receivables	78,783	56,816
<b>Financial liabilities - amortized costs:</b>		
Accounts payable and accrued liabilities	123,466	175,352
Advance from joint venture partner	-	418,950

## Fair Value

The carrying value of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximated their fair value due to the short-term nature of these instruments. Cost is the best measure of fair value for the Company's long-term investments.



## **EVENT AFTER REPORTING DATE**

Subsequent to March 31, 2023, the Company granted 2,420,000 stock options to directors, officers, and employees of the Company with an exercise price of \$0.79 per option with an expiry date of April 19, 2028.

## **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 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, including currency risk, credit risk, liquidity risk, and interest rate 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, 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 incurred in the local currencies, which include the US dollar, the Brazilian real, and the Peruvian sol. The Company's exposure to foreign currency risk arises primarily from fluctuations between the Canadian dollar and those currencies. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations. Management believes the foreign exchange risk related to currency conversions is minimal.

### **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 the 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 received. That procedure significantly reduces the risk of recording uncollectible receivables.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not 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 there are sufficient committed financial resources to meet its business requirements for the next twelve months. The Company is exposed to liquidity risk.

### **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, 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. 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, and 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 raise enough capital to satisfy exploration and other expenditure terms in a joint venture agreement. As a result, the 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, no reliable source of operating cash flow and assurance that additional funding will be available for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may depend 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 depends on 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 the 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 to require stricter standards and enforcement and involves 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 that are unknown to the Company at present.

**Competition**

The Company competes with many other companies and individuals with substantially greater financial and technical resources for the acquisition and development of projects and 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.