

**LARA EXPLORATION LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

BACKGROUND

This management's discussion and analysis of financial position and results of operations is prepared as at April 24, 2008, and should be read in conjunction with the audited annual consolidated financial statements of Lara Exploration Ltd. (the "Company" or "Lara") as at December 31, 2007 and 2006 and for the years ended December 31, 2007 and 2006 and the related notes thereto. Those audited annual consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts included therein and in the following management's discussion and analysis ("MD&A") are expressed in Canadian dollars except where otherwise noted. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com or on the Company's website www.laraexploration.com.

COMPANY OVERVIEW

Lara is a company dedicated to the identification, acquisition and exploration of gold, and base metal and other projects in South America, currently with properties in Brazil and Peru. The Company's strategy is to advance its projects through prospecting and early-stage exploration and to seek partners through joint-ventures or other associations to fund continued exploration and project development. By following this strategy, Lara is building a portfolio of projects that will allow it to maximize discovery opportunities while minimizing its funding requirements and risk.

EXPLORATION REVIEW

The Company has a large portfolio of mineral properties in Brazil, with on-going exploration programs for nickel, gold, tin, diamonds and copper mineralization and the Lara porphyry copper deposit in Peru. Progress during the first half of 2007 was disappointing, with two major set-backs: Xstrata withdrawing from Araguaia Nickel Project and Solid Resources deciding to postpone drilling on the Lara Copper Deposit. However, things picked up in the second half with the completion of new joint ventures, with CCT Capital Ltd. ("CCT") to fund drill testing the Campos Verdes Gold Project and with Teck Cominco to advance the Araguaia Nickel Project. Also in the latter part of 2007, the Company was able to recover 100% control of the Lara Copper Project and complete the Mantaro phosphate deal (also in Peru), with Sprott Resource Corp. ("Sprott"). Exploration in Brazil continued on the existing portfolio, while adding new properties and targets. Notable additions to the portfolio in 2007, were the purchase options for the São Lourenço tin mine and two reportedly diamondiferous kimberlites at Concord, both in northwest Brazil. The Company was also successful in acquiring prospective new ground in the renowned Carajás district and at Canabrava in Goiás State along strike of the Palmeirópolis VMS deposits.

Brazil

Araguaia Nickel Project

This project comprises 310,000 hectares of 100%-owned mineral rights in northern Brazil targeting nickel laterite and sulphide mineralization in mafic-ultramafic intrusives of the Araguaia Belt in Pará State. Diamond drilling executed during 2006 encountered significant nickel laterite and silicate mineralization at Vila Oito over an area of approximately 1.0 km by 1.4 km in size. In late 2006 and the first half of 2007, airborne geophysics and surface geochemistry were used to identify a number of additional targets within Lara's property.

EXPLORATION REVIEW (Continued)

Brazil

Araguaia Nickel Project (Continued)

In September 2007, the Company negotiated and signed an Option and Joint Venture Agreement (the "Agreement") with Teck Cominco Limited's Brazilian subsidiary, Teck Cominco Brasil S.A. ("Teck Cominco"). Under the terms of the Agreement, Teck Cominco has the option to earn a 60% interest in the project by funding exploration expenditures of US\$4,000,000 over a 36 month period. Teck Cominco paid the Company US\$100,000 upon signing of the Agreement and will pay US\$500,000 upon completion of the US\$4,000,000 of exploration expenditures to vest its 60% interest. Upon earning its 60% interest, Teck Cominco shall have a one-time option to increase its interest to 75% by sole funding the next US\$4,000,000 of exploration expenditures over a maximum two-year period. Once Teck Cominco has vested its interest, each party shall be obliged to fund its share of costs on a pro-rata basis in accordance with its ownership interest. In the event that either party's interest dilutes below 10%, it will convert to a 1% net smelter return royalty.

In the fourth quarter, Teck Cominco completed an infill diamond drilling program on the Vila Oito target comprising 42 vertical holes drilled on a 200 meter spaced grid and initiated field testing and scout drilling of other priority geophysical anomalies on the Araguaia project. The Vila Oito target is adjacent and contiguous to areas already being explored by Teck Cominco and approximately 100 kilometers to the south of the Serra da Tapa and Vale dos Sonhos nickel laterite deposits owned by Xstrata plc.

Analytical results for 33 of the 42 holes (total of 965.03m) drilled at Vila 8 were reported in January 2008. This new drilling shows that the mineralization is reasonably consistent across the 1.4 by 1.0 kilometer area, with a well-defined NNE-SSW trend that extends onto Teck Cominco property to the northeast and south. Mineralization reaches over 20 meters in thickness and grades intersected in places were in excess of 1.5% nickel. The Company expects to report additional Vila Oito drill results in the second quarter of 2008.

Campos Verdes Gold Project

This project comprises 32,900 hectares of gold and copper exploration licenses in central Brazil in the Brasília Belt in Goiás State, twenty-five kilometers west of the Chapada gold mine owned by Yamana Gold Inc. Exploration work at Campos Verdes is operated by Lara but funded by CCT, under the terms of a Property Option and Joint Venture Agreement signed on February 27, 2007. CCT can earn a 70% interest in the Campos Verdes gold project by spending US\$2,000,000 on exploration by February 27, 2010.

During 2007, the Company completed soil sampling and geological/regolith mapping along the 12 kilometer João Neves trend. Additional reconnaissance work was completed on new areas that extend the João Neves trend for a further 10 kilometers to the northeast. The Modesto target (another area of old surface workings) and other targets identified from Aster satellite images and airborne geophysical surveys, were sampled and mapped. An electrical (Induced Potential) survey was completed over the João Neves trend and other parts of the property to define drill targets.

A drill rig was mobilized to the site in early October 2007 to test the depth extensions of high-grade sheeted gold vein stockworks mapped and sampled in the abandoned surface workings at João Neves, test geophysical anomalies and conduct scout drilling on other targets. The drill program was completed in early March 2008 with 10 diamond drill holes being completed for a total of 1,448 metres. The Company expects to report results in the second quarter of 2008.

EXPLORATION REVIEW (Continued)

Brazil

São Lourenço Tin Project

The São Lourenço tin project comprises an option to acquire 3,549 hectares of mining licenses over the old São Lourenço placer tin mine in Rondônia State, northwest Brazil. A Brazilian company, MONSA, produced approximately 12,000 tonnes of tin metal (worth over US\$200 million at current tin prices) from the São Lourenço district between 1973 and 1988 and only sporadic artisanal mining has been undertaken since then.

On January 29, 2007, the Company signed a lease with 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 must pay US\$73,500 (US\$43,500 paid to date) in staged lease payments over three years. The Company has up to three years from the date of signing to exercise its option to acquire the mineral rights by making a one-time payment of US\$1 million. The São Lourenço mine lies within the frontier zone and will thus be subject to certain foreign ownership restrictions at transfer and Lara does not expect to be able to directly own a majority interest in the mine at that time.

While past exploration at São Lourenço focused on the secondary deposits in the river valleys, Lara acquired the option for the primary tin potential, notably near two prominent hills within the property, Serra Isaac and Serra Irene. Tin has been mined from the flanks of these hills and from the rivers that drain them, but to date there has never been systematic exploration for hard rock deposits.

During the year, the Company initiated systematic grid sampling of the altered granitic rocks exposed on the two hills. Primary tin mineralization has been identified on both hills, hosted by veins, zones of alteration (greisens) and disseminated in the granites themselves. The Company expects to report results of this program in the second quarter of 2008, but early indications as reported in the News Release dated March 20, 2008 are encouraging and São Lourenço is expected to become an increasingly important project for the Company in 2008.

Tapajós Gold Project

The Tapajós project in northern Brazil comprises a joint venture to explore for intrusion-related gold (and copper) deposits in the Tapajós District of Pará State. Under the terms of the Letter of Intent signed on April 19, 2007, the Company invested US\$300,000 of seed funding for 50% of the new joint venture company T'Gold Mineração Ltda ("T'Gold") that will initially holds rights to 44,800 hectares of exploration claims covering historical garimpos workings at Santa Felicidade, Santa Cecilia, Castelo, Colibri (Beija-Flor), Caic-1 and Caic-2. The Santa Felicidade, Santa Cecilia, Castelo and Colibri claims are subject to a 1.5% NSR royalty, half of which (0.75%) may be purchased by T'Gold for US\$750,000.

During the period the Company completed remote sensing using public domain satellite imagery and airborne geophysics over all the areas of interest. Fieldwork focused mainly on the Santa Felicidade and Santa Cecilia targets, where artisanal workings were channel sampled and wide-spaced soil sampling grids executed over much of the trend that hosts the known gold mineralization. Reconnaissance work was completed in January 2008, with results from some samples still pending. The Company plans to review results before defining further work in 2008, but given the prospectivity of the District, further work is likely to undertaken and additional properties sought for the joint venture.

EXPLORATION REVIEW (Continued)

Brazil

Concord Diamond Project

The Concord Diamond Project comprises an option to purchase 100% of an 8,850 hectare exploration license covering two previously identified diamondiferous kimberlites, denominated Concord 1 and 2. Under the terms of the Option Agreement, the Company may acquire 100% of the Concord property for \$230,000 and a 1% production royalty. The Company has the option to purchase the royalty at a time of its choosing for the sum of US\$500,000.

During the period, the Company completed mineralogical analyses and micro-probe studies of heavy minerals collected from stream sediment samples that confirm the prospectivity of the pipes. Concord 1 has been mapped at surface, but Concord 2 sits under younger sedimentary cover, the limits of both have now been mapped using surface outcrop where possible and a terrestrial geophysical (Magnetic) survey. Ground penetrating radar and auger sampling have been used to better outline Concord 2. The Company plans to take larger samples of kimberlite material from both bodies in 2008, for caustic fusion processing to confirm the presence diamonds.

Canabrava VMS Project

The Canabrava Project comprises approximately 28,500 hectares of exploration claims and licenses in the Municipality of Palmeirópolis, straddling the State boundary between Goiás and Tocantins in north-central Brazil. The property covers the strike extensions the Palmeirópolis Deposits, which are massive Cu-Zn-Ag (+/-Au) sulphide ore bodies discovered by the CPRM (Brazilian Geological Survey) in the 1970's. The CPRM has drilled some 32,000m of diamond core at Palmeirópolis in the 1970's, of which ~26,000 was used to define four ore bodies (C1 to C4) with a total resource of 5.5Mt at an average grade of 5.28% Zn+Pb, 0.83% Cu and 23.95 g/t Ag.

The Company's properties cover strike extensions of the Palmeirópolis deposits and the continuity of the host geology for over 30 kilometers. Work during the period comprised reconnaissance level geological mapping, rock chip and soil sampling. Further surface work and geophysical surveys are planned for 2008.

Peru

Lara Copper Project

The Lara property comprises 1,800 hectares of 100%-owned exploration licenses over a secondary copper deposit near the town of Palpa in the Coastal Range of southern Peru. It comprises a porphyry copper-molybdenum deposit, with a leached cap at surface overlying successive zones to depth of secondary copper enrichment and primary, quartz vein stockwork mineralization (pyrite, chalcopyrite). Twenty-five drill holes were drilled in three separate programs between 1997 and 1999 and comprised of 2,742 meters of reverse circulation and 134 meters of diamond drilling.

An independent technical report on the Lara property entitled "Summary of Exploration, Metallurgical and Scoping Studies on the Lara Porphyry Copper Property and Proposed 2005 Exploration Program, Rio Viscus, Palpa, Peru" was authored by John Nebocat, P. Eng. dated February 9, 2004 and revised March 31, 2005 (a copy of which has been filed on SEDAR at www.sedar.com). The report detailed the Lara property, including an inferred mineral resource estimate of 18.6 million tonnes grading 0.53% copper using a 0.2% copper cut-off. Within this inventory are higher-grade blocks estimated at 6.5 million tonnes grading 0.91% copper using a 0.5% cut-off and 4.8 million tonnes grading 1.04% copper using a 0.6% copper cut off. The resource remains open to the east and to the west.

EXPLORATION REVIEW (Continued)

Peru

Lara Copper Project (Continued)

During 2007, the Company completed two vertical diamond drill holes within the historic resource area during 2007. Hole LA-07-01 was completed to a depth of 121.7 meters and intercepted a 20 meter interval (88-108 meters) averaging 1.2% Cu. Hole LA-07-02 was completed to a depth of 292.1 meters and intercepted 13.7 meters (58-71.1 meters) averaging 0.93% Cu. Both intercepts occur within the zone of secondary sulphide enrichment in association with blebs, stringers and coatings of supergene chalcocite. Further drilling is planned in 2008 with the aim of upgrading and increasing the known resources.

Mantaro Phosphate Project

The Company is part of the Mantaro Group, an unincorporated joint venture that holds the rights to the Mantaro Phosphate Project in Peru. On November 15, 2007, the Mantaro Group signed an exploration and option agreement with Sprott where Sprott has the option to acquire a 100% interest in the Mantaro Phosphate Project by funding exploration and technical studies, making certain cash payments and issuing shares in a new project company to the Mantaro Group. If Sprott exercises its purchase option, the Company will be issued shares in the new listed vehicle equivalent to 10% of the outstanding shares at the time of the Qualifying Transaction as defined in the TSX Venture Exchange Policy 2.4. The Company is also entitled to a 0.5% royalty on any production from the Mantaro Phosphate Project. Sprott will have the option to purchase this royalty for the equivalent in cash of 0.5% of the net present value of the project upon completion of a bankable feasibility study.

Mantaro is one of the largest undeveloped phosphate deposits in the Pacific Rim region and provides an excellent opportunity to participate in the expanding market for phosphate-based fertilizers for production of food and biofuels. The property comprises 3,700 hectares of exploration licenses and claims near Sincos, in the Department of Junín, 200km east of Lima. The deposit was originally discovered and explored in the 1960's by Cerro de Pasco Corporation, which outlined a mineralized zone extending over 12 kilometers along the Mancaspico syncline. Trench and drill samples returned an average grade of approximately 15% P₂O₅ (phosphorus oxide) over an average deposit thickness of 24 metres. The deposit dips at approximately a 45 degree angle and is open pitable.

Exploration work resumed between 1998 and 2002, including further trenching and mineral characterization studies, bulk sampling, mineral beneficiation testing and preparation of a prefeasibility study by Bateman Phosphate Technologies. Total phosphate potential in the central portion of the property was estimated at that time to be in the range of 300 million to 750 million tonnes, with a historical "inferred resource" estimate of 61 million tonnes. These estimates are historical data only and do not conform to the resource estimation requirements of NI 43-101. Beneficiation test work conducted by Bateman Phosphate Technologies concluded it was possible to produce a concentrate grading in excess of 32% P₂O₅ and that the concentrate was amenable to production of phosphate fertilizer.

Michael Bennell, Lara's Vice President Exploration and a member of the Australasian Institute of Mining and Metallurgy, is a Qualified Person as defined by National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, and is responsible for the preparation and verification of the technical information in the MD&A.

RESULTS OF OPERATIONS

The Company recorded a loss for the year ended December 31, 2007 of \$1,805,192 or \$0.11 per common share compared to a loss of \$2,211,697 or \$0.17 per common share for the comparative period ended December 31, 2006.

RESULTS OF OPERATIONS (Continued)

The decrease in the loss in the current year is primarily a result of a decrease in stock based compensation expense and lower professional fees and related costs, as in the prior year costs related to the acquisition of Pan Brazilian were incurred in the first quarter of 2006. These decreases in costs were partially offset by increased exploration expenditures in the year as a result of a full year of operations in Brazil, compared to a partial year in the prior year as the Pan Brazilian acquisition was completed in the first quarter of 2006, and exploration costs being incurred in Peru in the fourth quarter of 2007 after the joint venture with Solid Resources Ltd. ("Solid") was terminated.

FOURTH QUARTER RESULTS

The Company recorded a loss for the three month period ended December 31, 2007 of \$611,801 or \$0.04 per common share compared to a loss of \$414,246 or \$0.03 per common share for the comparative period ended December 31, 2006. The increase in the loss is due to greater stock based compensation expense and increased exploration expenditures in Peru that were incurred as a result of the termination of the joint venture with Solid in the fourth quarter of 2007. The loss in the fourth quarter in the prior year was partially offset by the receipt of option payments.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital position at December 31, 2007 was \$4,449,780 compared with \$4,130,896 at December 31, 2006. The increase in working capital of approximately \$300,000 from December 31, 2006 was mainly due to proceeds from capital stock issued for cash of \$1,900,500, option payments received in excess of option payments made totaling \$116,766 and interest of \$159,443 and offset by exploration expenditures net of amortization of \$1,256,791, operating expenses of \$539,262, long-term investments of \$33,000 and capital expenditures of \$20,861.

Subsequent to year end, the Company issued 1,415,000 common shares pursuant to the exercise of share purchase warrants for proceeds totaling \$1,061,250.

All of the Company's cash and cash equivalents are held in an interest bearing account with a major financial institution. The Company has not invested in any short-term commercial paper or asset backed securities.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES (Continued)

In management's opinion, the Company has sufficient working capital to meet its commitments for the 2008 fiscal year.

SELECTED ANNUAL FINANCIAL INFORMATION

Periods Ended	December 31, 2007	December 31, 2006 ⁽¹⁾	December 31, 2005 ⁽¹⁾
Financial Results			
Revenues	\$ -	\$ -	\$ -
Exploration expenditures	1,264,662	940,619	16,218
Net income (loss)	(1,805,192)	(2,211,697)	(2,581,428)
Net income (loss) per share - basic and diluted	(0.11)	(0.17)	(0.11)
Dividends declared	-	-	-
Financial Position			
Working Capital	\$ 4,449,780	\$ 4,130,896	\$ 641,213
Mineral Properties	128,633	245,399	42,943
Total Assets	5,158,845	4,508,644	742,563
Long-term liabilities	-	-	-
Share Capital	7,790,896	5,916,738	796,892
Deficit	(10,240,057)	(8,434,865)	(6,223,168)

(1) The amounts reported for 2006 have been restated to reflect the change in the Company's accounting policy for mineral property exploration costs (see Changes in Accounting Policies).

In 2007, the Company incurred greater exploration expenditures as a result of a full year of operations in Brazil compared to a partial year in 2006, as the Pan Brazilian acquisition was completed in the first quarter of 2006, and incurring expenditures in Peru on the Lara oxide copper project after terminating the option agreement with the Company's joint venture partner in 2007.

Total assets in 2007 increased compared to 2006 mainly due to capital stock issued for cash, unspent exploration advances from CCT, interest income, option payments received and increase in value of long-term investments offset by exploration expenditures and operating expenses.

On February 15, 2006, the Company completed the acquisition of Pan Brazilian and, concurrent with this acquisition, the Company completed a private placement of 5 million units at a price of \$0.50 per unit for gross proceeds totaling \$2,500,000. In addition, during 2006, the Company received approximately \$2,300,000 of proceeds pursuant to the exercise of share purchase warrants and stock options. These are the main reasons of the significant increase in assets as at December 31, 2006 as compared to 2005. The acquisition of Pan Brazilian also resulted in the significant increase in exploration expenditures in 2006 compared to 2005.

SUMMARY OF QUARTERLY RESULTS

	2007	2007	2007	2007
Quarter Ended	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Exploration expenditures	\$459,165	\$295,720	\$278,376	\$231,401
Stock-based compensation	83,864	58,130	34,634	-
Loss for the period	(611,801)	(410,262)	(432,231)	(350,898)
Loss per share (Basic and Diluted)	(0.04)	(0.03)	(0.03)	(0.02)

	2006	2006	2006	2006
Quarter Ended	Dec. 31 ⁽¹⁾	Sept. 30 ⁽¹⁾	Jun. 30 ⁽¹⁾	Mar. 31 ⁽¹⁾⁽²⁾
Exploration expenditures	\$300,671	\$372,653	\$145,284	\$122,011
Stock-based compensation	32,887	110,120	-	486,429
Loss for the period	(414,245)	(624,568)	(274,708)	(898,176)
Loss per share (Basic and Diluted)	(0.03)	(0.04)	(0.02)	(0.10)

(1) The amounts reported for 2006 have been restated to reflect the change in the Company's accounting policy for mineral property exploration costs (see Changes in Accounting Policies).

(2) Includes expenditures related to the acquisition of Pan Brazilian Mineração Ltda.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in preparation of the financial statements are consistent with those set forth in note 2 of the consolidated financial statements for the year ended December 31, 2007, except as described in "Changes in Accounting Policies" below. They are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Mineral Properties

The Company's accounting policy is to capitalize acquisition costs, net of option payments received, until the property to which they relate is placed into production, sold or abandoned. Exploration expenditures are expensed as incurred until such time as the development potential of the property is evidenced by a positive economic analysis. This policy is an acceptable alternative under Canadian GAAP. On a quarterly basis, management reviews the carrying values of acquisition costs with a view to assessing whether there has been any impairment in value. In the event that resources are estimated to be insufficient to recover the carrying value of any property, the carrying value will be written down to fair value or written-off, as appropriate.

CRITICAL ACCOUNTING ESTIMATES (Continued)

Stock-Based Compensation

Another significant estimate relates to accounting for stock-based compensation. From time to time, the Company may grant share purchase options to directors, officers, management and consultants. The Company uses the Black-Scholes option pricing model to estimate a value for these options. This model, and other models which are used to value options, require inputs such as expected volatility, expected life to exercise, and interest rates. Changes in any of these inputs could cause a significant change in the stock-based compensation expense charged in a period.

Asset Retirement Obligation

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred based on an estimate of fair value. The estimates include an assumption on the rate at which costs may inflate in future periods as well as the expected timing of future cash outflows. Actual costs and the timing of expenditures could differ from these estimates.

CHANGES IN ACCOUNTING POLICIES

Mineral property exploration costs

Effective January 1, 2007, the Company changed its accounting policy for mineral properties from deferring exploration costs incurred during the exploration stage to expensing such costs in the year incurred. This change has been applied retroactively and the comparative figures in the consolidated financial statements have been restated. The effect of this change on the consolidated balance sheets is to decrease mineral properties and increase the December 31, 2006 accumulated deficit by \$670,355 (2005 - \$330,557). The effect of this change on the consolidated statements of operations is to increase exploration expenses, other income and net loss by \$447,055, \$107,258 and \$339,798, respectively, for the year ended December 31, 2006. The loss per share increased by \$0.03 for the year ended December 31, 2006 from \$0.14 per share to \$0.17 per share.

New pronouncements effective for fiscal 2007

Effective January 1, 2007, the Company adopted, prospectively, the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under the following Handbook guidelines:

Financial Instruments – Recognition and Measurement

Handbook Section 3855, "Financial Instruments – Recognition and Measurement", which establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. The Company classifies its debt and investments into held-to-maturity, trading or available-for-sale categories. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available-for-sale. Held-to-maturity securities are recorded as either short-term or long-term on the balance sheet based on the contractual maturity date and are stated at amortized cost. Investments that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings.

Debt and investments not classified as held-to-maturity or as trading are classified as available-for-sale and carried at fair value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income and reported in shareholders' equity.

CHANGES IN ACCOUNTING POLICIES (Continued)

The adjustment to the fair value of shares held for investment that are classified as available for sale is included as other comprehensive income (loss) based on quoted market prices. The fair value of warrants held by the Company as an investment is determined using the Black Scholes option pricing model. Warrants are a derivative instrument, therefore, the fair market value adjustment is recognized in operations. Gains or losses on securities sold are based on the specific identification method.

At January 1, 2007, the Company had no available for sale securities or warrants and, accordingly, no adjustment was required to the opening balance of accumulated other comprehensive income or deficit respectively.

Comprehensive Income

Handbook Section 1530, "Comprehensive Income", establishes standards for presentation and disclosure of comprehensive income. Comprehensive income is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income and other comprehensive income. The historical make up of net income has not changed. Other comprehensive income includes gains or losses, which generally accepted accounting principles requires to be recognized in a period but excluded from net income for that period.

Accordingly, these financial statements now include a statement of operations and comprehensive loss, and a statement of deficit and accumulated other comprehensive income, and "Accumulated Other Comprehensive Income" account in the shareholders' equity section of the consolidated balance sheets.

New pronouncements effective for fiscal 2008

Effective January 1, 2008, the Company will be adopting the new recommendations of the CICA under the following Handbook guidelines:

Going-concern

In June 2007, the CICA amended Handbook Section 1400, "General Standards of Financial Statement Presentation", which requires management to make an assessment of Company's ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the Company is not considered a going-concern.

The new section is effective for years beginning on or after January 1, 2008. The Company is in the process of assessing the impact of this new section on its consolidated financial statements.

Capital disclosures

In February 2007, the CICA issued Handbook Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and procedures for managing capital. The new section is effective for years beginning on or after October 1, 2007. The Company is in the process of assessing the impact of this new section on its consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES (Continued)

Financial instruments

In February 2007, the CICA issued two new standards, Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation". These sections will replace the existing Section 3861, "Financial Instruments Disclosure and Presentation". Section 3862 provides users with information to evaluate the significance of the financial instruments of the entity's financial position and performances, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The new sections are effective for years beginning on or after October 1, 2007. The Company is in the process of assessing the impact of this new section on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

TRANSACTIONS WITH RELATED PARTIES

The Company pays Quest Capital Corp. ("Quest"), related by virtue of a director in common and an officer of Quest who is a director of the Company, for office rent and supplies.

For the year ended December 31, 2007, Quest charged the Company \$16,959 (2006 - \$32,208) for office rent and supplies. The Company has had an outstanding payable of \$nil (2006 - \$1,326) to Quest at December 31, 2007.

RISKS AND UNCERTAINTIES

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 operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that claims and leases are in good standing; and obtaining permits for drilling and other exploration activities. The market prices for silver, gold and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

The Company is operating in countries that currently have varied political environments. Changing political situations may affect the manner in which 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. At this time there are no currency hedges in place.

RISKS AND UNCERTAINTIES (Continued)

The Company is currently earning an interest in certain of its key properties through option agreements and acquisition of title to the properties is only completed when the option conditions have been met. These conditions generally include making property payments, incurring exploration expenditures on the properties and can include the satisfactory completion of pre-feasibility 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-down the previously capitalized costs related to that property.

OUTSTANDING SHARE DATA

As at April 24, 2008, there were 19,246,501 common shares issued. In addition, there were the following options and warrants outstanding:

- 1,590,000 stock options (1,440,000 fully-vested) with a weighted average exercise price of \$1.15 per share and terms expiring between January 11, 2011 and October 16, 2012.
- 1,612,500 share purchase warrants with a weighted average exercise price of \$1.20 and a terms expiring between November 17, 2008 and September 28, 2009.

A total of 600,001 of the Company's issued common shares are held in escrow and will be released in equal amounts at regularly scheduled six-month intervals to April 30, 2008.

SUBSEQUENT EVENTS

Subsequent to December 31, 2007:

The Company issued 1,415,000 common shares pursuant to the exercise of share purchase warrants for proceeds totaling \$1,061,250 and 1,160,000 warrants expired and unexercised, and

On January 15, 2008, the Company signed an option agreement to acquire a 100% interest in the Curionópolis Property located in Pará State, Brazil. Under the terms of the option agreement, the Company has the option to acquire 100% of the Curionópolis Property from Redrock Exploration (BVI) Ltd. ("Redrock") and its Brazilian subsidiaries for US\$630,000 in cash payments, US\$2.7 million in exploration expenditures staged over three years and royalties. The royalties comprise a 50% net profits interest ("NPI") on income derived from the sale of iron or iron mining rights and a 2% net smelter return royalty ("NSR") on any other metals produced. The Company has the option to acquire half of the NSR (i.e. 1%) for US\$1.5 million in cash. The option is subject to publication of the exploration license covering the property and regulatory approval.

Redrock and its Brazilian subsidiaries are companies wholly-owned and controlled by the Company's President Miles Thompson, and Helio Ikeda, an employee of the Company.

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 the market valuation for commodities, difficulties in obtaining required approvals for the development of a mineral project and other factors.

FORWARD LOOKING INFORMATION (Continued)

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 indicate 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 as a result of new information, future events or otherwise.