

**LARA EXPLORATION LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

BACKGROUND

This management's discussion and analysis of financial position and results of operations is prepared as at April 2, 2009, 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, 2008 and 2007 and for the years ended December 31, 2008 and 2007 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 prospect generator dedicated to the identification, acquisition and exploration of precious and base metal deposits and other resource opportunities in South America. The Company currently holds a portfolio of mineral properties in Brazil, Colombia 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 detailed exploration and project development. By following this strategy, Lara aims to maximize its 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 phosphate rock, potash, nickel, gold, tin, copper, iron, lead and zinc mineralization. In Peru the Company holds the Lara porphyry copper oxide deposit and continues to review opportunities, notably for gold and silver. During the fourth quarter, the Company began work in Colombia, where it now holds a substantial portfolio of phosphate exploration claims.

Current year highlights included:

- Sale of the Company's interest in the Mantaro Project in Peru for a gain of approximately \$4,400,000;
- Completion of a Strategic Alliance with Sprott Resource Corp., whereby the Company is funded to explore and acquire resource opportunities on behalf of a joint venture between the two partners;
- Discovery of a substantial zone of primary tin mineralization at São Lourenço in northwest Brazil; and
- Discovery of a new nickel laterite system at Floresta within the Company's Araguaia Project in northern Brazil.

The Company has a mandate to build a portfolio of mineral assets using joint ventures to reduce its investment risk and leverage its intellectual capital. The Company outlined a primary tin mineralization at São Lourenço and significantly increased the size potential of the nickel mineralization at Araguaia, so that including Lara copper in Peru, the Company now holds three material deposits. Several projects were dropped through the year and a large portfolio of exploration properties for phosphate rock and

potash were acquired in both Brazil and Colombia. The Company has still not resolved the title disputes over its Curionópolis IOCG project in the Carajás District of northern Brazil, but the indications are that this will have a favorable outcome in 2009.

The Company also completed a very favorable joint venture with Votorantim Metais Zinco S.A. to explore and develop its Canabrava VMS Project in central Brazil and initial results of this work indicate that the property has considerable potential. Teck Cominco withdrew from its option to earn into the Araguaia Nickel Project ("Araguaia Project") in northern Brazil, but not before outlining a significant nickel mineralization at the Floresta target, significantly increasing the resource potential of this project. Drill results on the Company's Campos Verdes Gold Project in central Brazil were disappointing and CCT Capital Ltd., the joint venture partner, subsequently relinquished its option over the project.

Brazil

Araguaia Nickel Project

The Araguaia Project comprises 100%-owned exploration licenses located near the town of Conceição de Araguaia in Pará State. This is an important emerging nickel laterite district situated east of the Carajás Iron-Copper-Gold Province. Xstrata discovered the Serra da Tapa and Vale dos Sonhos deposits in 2004 (inferred resources, using a 1% nickel cut-off, of 73.3 million tons grading 1.5% nickel for the combined deposits). Other deposits in the greater region include the Vermelho (290 Mt @ 0.8% Ni) and Onça-Puma (110 Mt @ 1.72% Ni) deposits owned by Vale and Anglo Americans' Jacaré deposit. Vale acquired Onça-Puma at feasibility stage in late 2005, through the takeover of TSX listed Canico Resource Corporation for C\$876 million and the mine start-up is scheduled for late 2009.

On September 20, 2007, the Company entered into an option and joint venture agreement ("Teck Agreement") with Teck Cominco Limited's Brazilian subsidiary, Teck Cominco Brasil S.A. ("Teck Cominco"), whereby Teck Cominco had 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 and was required to pay US\$500,000 upon completion of the US\$4,000,000 of exploration expenditures in order to vest its 60% interest. Upon earning its 60% interest, Teck Cominco had a one-time option to increase its interest to 75% by solely funding the next US\$4,000,000 of exploration expenditures over a maximum two-year period. In November 2008, Teck Cominco in accordance with the Teck Agreement forfeited all rights, title and interest in and to the Araguaia Project in favor of the Company.

The properties are underlain by mafic-ultramafic lithologies that form part of the Araguaia Ophiolite Sequence. The regional geology consists of North-South to NW-SE trending Proterozoic mobile belts with intercalated meta-sediments, mafic-ultramafic volcanics and a variety of intrusive lithologies. The main areas of nickel laterite mineralization are underlain by weathered peridotites, talc-schists and serpentinites. The country rocks are predominantly metasedimentary quartzites, phyllites and slates of the Couto Magalhães Formation, also of Proterozoic age. The Araguaia nickel laterites formed as a result of residual concentration of nickel, cobalt, chromium, titanium and iron by intense tertiary weathering of peridotite intrusions. The deposits are commonly preserved beneath highly resistant silcrete capped plateaus that are considered to be part of an older lateritizing event. These plateaus have been locally transected by recent drainage patterns affecting the entire Amazon region.

Exploration work undertaken to date on the properties comprises airborne magnetic and radiometric surveys over the whole area, with airborne electro-magnetic surveys over some of the target areas. Targets identified from these surveys have been investigated using stream sediment and soil sampling, followed by auger and diamond drilling. To date 66 diamond drill holes have been completed (47 in 2008), predominantly on the Vila Oito target. A total of 96 auger holes have been completed on other targets, the most promising being Floresta where indications are that there is potential for another system as big as Vila Oito. Vila Oito and Floresta represent new grass-roots nickel discoveries and the Company plans to prepare an updated National Instrument 43-101 technical report in 2009 and seek ways to continue to advance the project.

At the start of the year, the Araguaia project comprised 310,000 hectares of exploration claims and licenses. Subsequent to the year end the Company reduced its holdings to 45,000 hectares of exploration licenses, covering only the main targets and the Vila Oito and Floresta discoveries.

São Lourenço Tin Project

On January 29, 2007, the Company signed a lease with an option to purchase agreement with Mineração Céu Azul Ltda. (which currently leases the mine), Companhia de Mineração São Lourenço Ltda. (titleholder of the mineral rights) and Companhia Industrial Amazonense (owner of preferential purchase rights of tin production). Under the terms of this agreement, the Company was required to make approximately US\$73,500 (US\$48,000 paid) in staged lease payments over three years and make a one-time payment of US\$1 million by January 2010 to exercise its option to acquire the mineral rights. In January 2009, the Company agreed to an amendment, whereby it could extend its option for an additional two years by making payments of US\$15,000 (paid), US\$30,000 and US\$55,000 in January 2009, January 2010 and January 2011 respectively and by making a one-time payment of US\$1 million by May 2012. The São Lourenço property lies within the frontier zone and will thus be subject to certain foreign ownership restrictions at transfer and the Company does not expect to be able to directly own a majority interest in the mine at that time.

The São Lourenço Tin Project comprises 3,409 hectares of Mining Licenses that are held under the terms of the above-mentioned lease and option agreement and a 435-hectare exploration license held directly by the Company. A Brazilian company, Mineração Oriente Novo S.A., produced some 12,000 tons of tin from placer mining at São Lourenço between 1973 and 1988 and production has continued on a small-scale since then to keep the licenses in good standing. There are still roads and camp infrastructure maintained on the property.

In 2007 and 2008, Lara has been sampling two granite stocks, Irene and Isaac, which stand out as hills within the wide area of past placer tin mining. Artisanal miners have exposed a wide area of fresh and weathered (sapolite) granite that has now been grid sampled by the Company with channel samples. Coarse-grained tin mineralization in the form of cassiterite (tin oxide) is hosted by vein-like zones of alteration known as "greisens" that form a dense stock-working over most of the exposed area and extend into the metasedimentary country rocks. The exposed area represents only 40% of the granite hills and the known mineralization is open in all directions.

The Isaac target is approximately 500 meters in length and 250 meters in width. The target comprises multiple greisen zones ranging up to 500 meters in length and up to 50 meters in thickness, with an average grade of 0.54% tin. The Irene target includes multiple zones of mineralization, with individual zones of up to 300 meters in length and up to 66 meters in thickness, with an average grade of 0.71% tin.

The Company is currently collecting larger samples for mineralogical and grain-size characterization studies and plans to prepare a technical report on the project in 2009.

Curionópolis IOCG Project

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 this 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\$2,700,000 in exploration expenditures staged over three years and royalties. The royalties comprise a payment of 50% of net income on income derived from the sale of iron or iron mining rights and a 2% net smelter return royalty on any other metals produced. The Company has the option to acquire half of the net smelter return royalty (i.e. 1%) for US\$1,500,000. The option is subject to publication of the exploration license covering the property and regulatory approval (granted). 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.

The 8,569-hectare property covers a ridge of banded to massive iron formations and several areas of artisanal workings on Iron Oxide Copper Gold ("IOCG") style veining. Limited grab sampling during the Company's due diligence work returned grades as high as 8.4 grams per ton ("g/t") gold and 31.5% copper from the IOCG veins and between 29.7% and 66.1% iron, from the iron formations. The central

part of the Curionópolis Property covers low angle bedded iron formations that are a mixture of massive hematite-rich material and silica-hematite banded iron formations that extend for several kilometres and rising over 100m above the surrounding topography. Nine check samples were collected of massive and banded material from different parts of the ridge.

The southern portion of the Curionópolis Property, topographically separate from, and stratigraphically below, the ridge of iron formations is host to at least eight roughly north-south oriented copper vein systems ranging from 0.5 to 2.0 meters thick within wider 3.0 to 4.0 meter zones of carbonate alteration. The known vein systems are approximately 50 meters apart and exposed at surface, hosted by a NNW-SSE oriented belt of mafic rocks. The veins are high-angle and oriented around north to south, varying 20-30 degrees both sides of north and are likely to merge in places. The mineralization appears to be IOCG-type, similar to that seen in several copper (gold) deposits in the district. Twenty-six check samples were collected from different artisanal workings during due diligence, with twenty-two returning greater than 1% copper and eight returning greater than 1 g/t gold.

Campos Verdes Gold Project

The Campos Verdes Gold Project (the "Project") comprised 19 exploration licenses covering a total of 32,900 hectares located in Goiás State. Ten of the licenses were acquired pursuant to an option agreement entered into by Pan Brazilian Mineração Ltda. ("Pan Brazilian") dated April 5, 2005. During 2006, the Company made a payment of US\$10,000 against this agreement. The Company must pay a further US\$98,500 for each licensed property that is put into production on a commercial scale. The remaining licenses were acquired by the Company in 2006 and 2007.

On February 27, 2007, the Company signed a property option and joint venture agreement with CCT Capital Corp., ("CCT") whereby CCT could earn a 70% interest in the Project by paying US\$50,000 on signing (paid) and incurring exploration expenditures of US\$500,000, US\$700,000 and US\$800,000, respectively, on or before the first, second and third anniversaries of the effective date. In September 2008, CCT terminated its option and has forfeited all rights, title and interest in the Project.

Exploration work in 2008 focused on past artisanal gold workings on the João Neves structural zone in the northern part of the property. This northeast to southwest oriented structure has now been covered by soil geochemistry for more than 12 kilometres along its strike length. Regolith and geological mapping was also carried out along the trend and reconnaissance soil sample lines were completed across a number of other anomalies. Detailed ground geophysical work, including Induced Polarization, Resistivity and Magnetic surveys were completed on both the João Neves-Jeovah trend and at Modesto, another area of abandoned artisanal workings in the southern part of the property.

Diamond drilling tested the down-dip extensions of mineralization sampled in the abandoned João Neves open pit (978 meters in six drill holes) and the Jeovah soil and trench anomalies to the northeast of it (408 meters in three holes). A single 60-meter hole was also drilled at the Modesto target. The assay results for drill holes testing the João Neves and Jeovah targets have only indicated a few uneconomic narrow low-grade gold intervals with the best intersections of 0.98 meters at 4.54 grams per tonne ("g/t") gold at João Neves and 0.94 meters at 6.64 g/t gold at Jeovah.

In early 2009, the Company reduced its holdings to 25,000 hectares and intends to reduce the property position further through the year, aiming to hold only the main target areas. The gold results for the holes drilled under the old João Neves pit are very disappointing considering that surface channel sampling encountered local bonanza gold grades up to 133 g/t gold in the walls of the old pit. Supergene enrichment of gold in iron oxides may be partly the cause. Although no significant economic gold mineralization was located by the drilling at João Neves and Jeovah targets there are significant, albeit lower order, soil geochemical anomalies present elsewhere in the João Neves regional soil grid that could lie over less well exposed, but better mineralized sections in the regional shear zone.

Canabrava VMS Project

In 2006, 2007 and 2008, the Company registered claims for a total of 28,500 hectares covering strike extensions of the Palmeirópolis Volcanogenic Massive Sulphide ("VMS") Deposits, which are a series of zinc, lead, copper, silver and gold sulphide ore bodies discovered by the CPRM (Brazilian Geological Survey) in the 1970's. Lara has been gradually acquiring mineral rights along this trend over the last few

years as it sees considerable potential to discover additional mineralization using modern geophysical methods and that the base metal focused exploration work of the 1970's may have under-estimated the gold and silver potential of the district.

Details of the Palmeirópolis deposit are in the public domain, published in a CPRM report from the year 2000, entitled "Zinco, Chumbo e Cobre de Palmeirópolis Estado de Tocantins". This report shows that the CPRM drilled ~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 resources of 5.5 million tons at an average grade of 5.28% zinc and lead, 0.83% copper and 23.95 grams per ton silver. These resources are historical and not compliant with National Instrument 43-101 reporting standards, however, they are considered material to the prospectivity of the Lara property. The Palmeirópolis ore bodies do not outcrop at surface and were targeted using geophysics. The Company believes there is considerable potential to discover additional mineralization within its properties using modern geophysical methods and that the base metal focused exploration work in the 1970's may have under-estimated the gold and silver potential of the district.

In May 2008, the Company signed a Letter of Intent ("LOI") with Votorantim Metais Zinco S.A. ("Votorantim Metais"). Under the terms of the LOI, Votorantim Metais may earn up to a 75% interest in the Company's Canabrava VMS Project, by funding further exploration and development work on the project. Votorantim Metais can earn an initial 55% interest in the project, by funding \$2.5 million of exploration expenditures over a three year period, with \$0.5 million committed in year one (completed). It may then elect to increase its interest to 70% by delivering a Feasibility Study within a further two years. Finally, subject to agreement by Lara and a decision to construct a mine at Canabrava, Votorantim Metais may raise its interest to 75% by funding Lara's equity cost of the mine development, on terms substantially the same as those of the debt financing.

The first-year program comprising airborne geophysics and surface sampling was completed by Votorantim Metais in early 2009, identifying twenty-three new targets, defined as having geophysical responses similar to those of the known volcanogenic massive sulphide ("VMS") deposits in the belt. Twenty-eight hundred and seventy kilometres of VTEM (helicopter-borne time domain electromagnetic) geophysics were flown over the belt, covering a 645.6 square kilometer area at 250-meter line spacing. Of the twenty-three new targets, ten are considered priority one, five as priority two and eight as third priority. Stream sediment geochemistry was also completed over the whole belt. Planned follow-up comprises soil sampling grids, terrestrial geophysical surveys (magnetic and time domain electromagnetic) and detailed geological mapping over the target areas to define drill targets.

Tapajós Gold Joint Venture

On April 19, 2007, the Company signed a letter of intent whereby a new company, T'Gold Mineração Ltda., ("T'Gold") was formed as a joint venture vehicle to acquire properties and explore in the Tapajós District of Brazil. T'Gold is 50% owned by the Company and 50% owned by two individuals. The Company contributed seed capital of US\$300,000 and the two individuals contributed the initial property portfolio of 44,800 hectares of exploration claims covering the Santa Felicidade, Santa Cecilia, Castelo, Colibri, Caic-1 and Caic-2 garimpeiro gold workings. T'Gold will pay a 1.5% net smelter royalty on any gold production from the Santa Felicidade, Santa Cecilia, Castelo and Colibri areas, but may buy back half of the net smelter royalty for US\$750,000. The Company has contributed additional claim areas in the district, such that T'Gold now has rights to approximately 100,000 hectares of exploration claims and garimpeiro rights.

In 2007 and 2008 T'Gold undertook an exploration program over the Santa Felicidade property and reconnaissance programs over some of the other areas. Mineralized structures and veins were identified in several areas, with in places quite high gold grades, but to date the Company has not identified a target large enough to justify additional follow-up. The Company has retained its interest in T'Gold and the mineral rights it holds and continues to review opportunities in the district.

Colorado do Oeste Gold Project

Pursuant to an option agreement entered into by Pan Brazilian dated July 6, 2005, the Company was granted an option to acquire certain properties located in Rondônia State, comprising two areas covering 10,000 hectares each. In order to exercise its option, the Company was required to pay a total of US

\$170,000 and incur a minimum of US\$310,000 in exploration expenditures within the three-year license renewal period.

Exploration work by the Company in 2007 and 2008 confirmed the presence of high-grade gold in quartz veining within the artisanal workings on the Project; however, the size potential of these targets was considered to be limited and the regional work undertaken did not identify significant additional targets within the property. In July 2008, the Company terminated its option and forfeited all rights, title and interest in the properties.

Concord Diamond Project

On February 16, 2007, the Company signed an option agreement to acquire 100% of the Concord 1 and Concord 2 ("Concord") kimberlite pipes in Rondônia State within an exploration license 8,850 hectares in area. In order to exercise its option, the Company was required to pay a total of \$230,000 (\$22,000 paid) and a 1% production royalty. The Company had the option to purchase the 1% production royalty for US\$500,000.

In 2008, the Company undertook an exploration program comprising geophysics, geological mapping and geochemistry, to more accurately locate the kimberlite bodies. Results of this program were disappointing and in early 2009, the Company relinquished its option on the property.

Fortuna Gold Project

On January 30, 2007, the Company signed an agreement to option out its Fortuna property, which was acquired as part of the Pan Brazilian acquisition, to HSAK Mineração Ltda. ("HSAK"). Under the terms of the agreement, HSAK paid the Company US\$20,000 and has agreed to fund all further exploration through to a production decision, in exchange for an 80% interest in the property. Once a production decision is made, the Company may elect to fund its share of mine development or dilute to a 2% net smelter royalty. Results of the additional exploration work conducted by HSAK have been disappointing and the Company does not expect to realize any value from this Project.

Serra Azul Tin Project

On March 15, 2007, the Company entered into an option agreement to purchase three mineral licenses in Rondônia State covering 11,608 hectares. In order to exercise the option, the Company had to make cash payments of US\$5,000 for the transfer of each license (US\$10,000 paid) and a success fee of US\$100,000 for each license that is converted into a mining license and put into production. In the event that any of the licenses produced either diamonds or tin (and related minerals), a 0.5% royalty would apply in each case for each license. Each of these royalties could have been purchased for US\$500,000.

The Company undertook a program of geological mapping and surface sampling over the project area and more detailed grid sampling over certain target areas. Results of this program have been disappointing and the Company relinquished its option in early 2009.

Peru

Lara Copper Project

The Company owns a 100% interest in three mining properties comprising 1,800 hectares through its wholly-owned subsidiary, Minas Dixon S.A. ("Minas Dixon"). Pursuant to an underlying finder's fee agreement dated October 5, 1994, Minas Dixon agreed to make staged cash payments to an unrelated third party (the "Vendor") in the aggregate amount of US\$55,000 over a period of four years (paid). The Company is also obligated to pay the Vendor a further US\$500,000 on commencement of commercial production from any mineral deposits within the claim area.

During the year ended December 31, 2005, the Company signed a binding letter of intent with Solid Resources Ltd. ("Solid"), which granted Solid the right to earn an initial 55% interest in the Lara Prospect. Under the agreement, Solid was required over a three-year period to make staged cash payments to the Company totaling \$500,000 (\$200,000 received), complete exploration expenditures of \$2,000,000 and a

minimum of 8,000 meters of drilling by November 1, 2008, which included 1,500 meters of diamond and reverse circulation drilling before the first anniversary of the issue of a drill permit by the Peruvian mining authorities. Solid did not complete this work commitment within the agreed timeframe; therefore, the agreement was terminated.

The Lara Copper Project is 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, comprising of 2,742 meters of reverse circulation and 134 meters of diamond drilling.

An independent National Instrument 43-101 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 tons grading 0.53% copper using a 0.2% copper cut-off. Within this inventory are higher-grade blocks estimated at 6.5 million tons grading 0.91% copper using a 0.5% cut-off and 4.8 million tons grading 1.04% copper using a 0.6% copper cut off. The resource is amenable to low cost solvent extraction and electro-winning ("SX/EW") of copper metal.

Two vertical diamond drill holes were completed in late 2007 to confirm the historic resource. 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. The deposit remains open to the east, west, and south, both as extensions to the supergene chalcocite blanket and as transported copper oxides occurring in fractured intrusive rocks peripheral to the leached cap. In particular, strongly-altered and leached intrusive rocks, with associated stockwork mineralization and secondary copper oxide, occur over 800 meters east of the main Lara Zone (Mina de Socos) and are entirely untested by drilling.

Mantaro Project

The Company was part of the Mantaro Group, an unincorporated joint venture that held the rights to the Mantaro Project in Peru. On November 15, 2007, the Mantaro Group signed an exploration and option agreement with Sprott Resource Corp. ("Sprott"), a company related by virtue of a director in common. Sprott had the option to acquire a 100% interest in the Mantaro 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 exercised its purchase option, the Company would have been issued shares in the new listed vehicle equivalent to 10% of the outstanding shares at the time. The Company would also have been entitled to a 0.5% royalty on any production from the Mantaro Project. Sprott would have had the option to purchase the royalty for the equivalent in cash of 0.5% of the net present value of the project upon completion of a bankable feasibility study.

In June 2008, the Company sold its interest in the Mantaro Project to Sprott for 1,180,872 common shares, which had an estimated fair value of \$4,623,114. The sale resulted in a gain, net of taxes, of approximately \$4,400,000. The Company retains its right to a 0.5% royalty on any production from the Mantaro Project. The royalty can still be purchased for the equivalent in cash of 0.5% of the net present value of the project upon completion of a bankable feasibility study.

Strategic Alliance

In November 2008, the Company signed a definitive agreement (the "Alliance Agreement") with Sprott to form a strategic alliance (the "Alliance") to acquire phosphate, potash and other resource opportunities as defined by the partners.

Under the terms of the Alliance Agreement, the initial interest of the Company and Sprott is 50% each in a newly incorporated company which will be the vehicle for the Alliance (the "Venture"). In the first year,

Lara will have a deemed initial contribution of US\$500,000 and Sprott will contribute US\$500,000 for their respective 50% interests in the Venture. Sprott may at its election invest a further US\$2,500,000 over the following two-year period to earn up to a 63% interest in the Venture, subject to the Company's option to contribute funds to maintain a 50% interest in the Venture. The Company only needs to contribute 50% of the funds invested by Sprott as the Company will receive a goodwill equivalent of 50% of any funds invested by Sprott.

To date the Alliance has acquired a substantial grass-roots property portfolio in Brazil and Colombia, targeting sedimentary phosphate resources and has acquired an area of known potash mineralization in northeast Brazil. The Alliance has also been reviewing acquisition opportunities.

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

For the year ended December 31, 2008, the Company reported income of \$2,410,822 or \$0.13 per common share as compared to a net loss of \$1,805,192 or \$0.11 per common share for the comparative period ended December 31, 2007. The increased income of approximately \$4,200,000 is a result of the gain, net of taxes, from the sale of the Company's interest in the Mantaro Project to Sprott offset by higher exploration expenditures.

FOURTH QUARTER RESULTS

The Company recorded a loss for the three month period ended December 31, 2008 of \$413,245 or \$0.02 per common share compared to \$611,801 or \$0.04 per common share for the comparative period ended December 31, 2007. The decrease in the loss is due primarily due to the decrease in exploration expenditures in the fourth quarter of 2008 compared to 2007.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital position at December 31, 2008 was \$3,440,000 compared with \$4,449,780 at December 31, 2007. The decrease in working capital of approximately \$1,000,000 from December 31, 2007 was due to exploration expenditures and mineral property acquisition costs of \$1,390,984, capital asset additions of \$77,250, operating expenses of \$540,582 and current income taxes of \$254,795; offset by share capital issued for cash of \$1,061,250 and interest and other income of \$164,782.

All of the Company's cash and cash equivalents at December 31, 2008 are held in interest bearing accounts and highly liquid short-term interest bearing investments with maturities of 90 days or less which can be liquidated at any time without penalties. The Company has not invested in any short-term commercial paper or asset backed securities.

In addition, at December 31, 2008, the Company had 1,180,872 common shares of Sprott with a fair value of \$3,306,442.

In management's opinion, the Company has sufficient working capital to meet its commitments for the 2009 fiscal year.

SELECTED ANNUAL FINANCIAL INFORMATION

Periods Ended	December 31, 2008	December 31, 2007	December 31, 2006 ⁽¹⁾
Financial Results			
Revenues	\$ -	\$ -	\$ -
Exploration expenditures	1,370,984	1,264,662	940,619
Net income (loss)	2,410,822	(1,805,192)	(2,211,697)
Net income (loss) per share - basic and diluted	0.13	(0.11)	(0.17)
Dividends declared	-	-	-
Financial Position			
Working Capital	\$ 3,440,000	\$ 4,449,780	\$ 4,130,896
Mineral Properties	114,442	128,633	245,399
Total Assets	7,640,222	5,158,845	4,508,644
Long-term liabilities	-	-	-
Share Capital	8,852,146	7,790,896	5,916,738
Deficit	(7,829,235)	(10,240,057)	(8,434,865)

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

Total assets in 2008 increased compared to 2007 mainly due to the Spratt shares received on the sale of the Mantaro Project, capital stock issued or cash and interest income offset by exploration expenditures, operating expenses and income taxes as a result of the sale of the Mantaro Project.

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.

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.

SUMMARY OF QUARTERLY RESULTS

	2008	2008	2008	2008
Quarter Ended	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Exploration expenditures	\$255,250	\$471,281	\$272,046	\$372,407
Stock-based compensation	28,502	13,075	113,352	11,820
Net income (loss) for the period	(413,245)	(573,419)	3,908,724	(511,238)
Earnings (loss) (Basic and Diluted)	(0.02)	(0.03)	0.20	(0.03)

	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)

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, 2008, 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.

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, employees 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

New pronouncements effective for fiscal 2008

Effective January 1, 2008, the Company adopted, prospectively, the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under the following Handbook guidelines:

Going-Concern

The CICA amended Handbook Section 1400, "General Standards of Financial Statement Presentation", which requires management to assess an entity's ability to continue as a going-concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity's ability to continue as a going-concern, those uncertainties must be disclosed. In assessing the appropriateness of the going-concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. The adoption did not have a material impact on the consolidated financial statements for any of the periods presented.

Capital disclosures

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. This information is disclosed in Note 15 of the consolidated financial statements.

Financial instruments

The CICA issued two new standards, Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation". These sections 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 performance, 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. Management's objectives, policies and procedures for managing such risks are disclosed in Note 14 of the consolidated financial statements.

Recent Accounting Pronouncements

The CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expenses as incurred. The new standard applies to annual and interim financial

statements relating to fiscal years beginning on or after January 1, 2009. Management is currently assessing the impact of this new accounting standard 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.

The Company has completed a preliminary analysis of the significant IFRS-GAAP differences with the respect to the Company's financial statements and disclosures. The Company will be quantifying the potential impact of these differences.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interest

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards ("IAS") 27, Consolidated and Separate Financial Statements (January 2008).

Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

TRANSACTIONS WITH RELATED PARTIES

The Company did not have any related party transactions, other than noted in the exploration review under Curionópolis IOCG Project (p. 3) and Strategic Alliance (p. 8) during the year ended December 31, 2008. For the year ended December 31, 2007, the Company paid Quest Capital Corp. ("Quest"), a company 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. Quest charged the Company \$16,959 for office rent and supplies. These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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.

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 2, 2009, there were 19,246,501 common shares issued. In addition, there were the following options and warrants outstanding:

- 1,845,000 stock options (1,615,000 fully-vested) with a weighted average exercise price of \$1.06 per share and terms expiring between January 11, 2011 and October 29, 2013.
- 1,597,500 share purchase warrants with a weighted average exercise price of \$1.20 and a terms expiring September 28, 2009.

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.

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.