

**LARA EXPLORATION LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008**

BACKGROUND

This management's discussion and analysis of financial position and results of operations is prepared as at November 25, 2008, and should be read in conjunction with the unaudited interim consolidated financial statements of Lara Exploration Ltd. (the "Company" or "Lara") for the three and nine months ended September 30, 2008 and the related notes thereto. Those interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and, as a result, do not contain all disclosure required under generally accepted accounting principles for annual financial statements. Accordingly, readers may want to refer to the Company's December 31, 2007 annual consolidated financial statements and accompanying notes. 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

The Company's principal business activities are the identification, acquisition, exploration and development of mineral properties 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, phosphates, diamonds and copper mineralization and other resource properties in South America. During the three month period ended September 30, 2008 (the "Period"), the Company focused on its phosphate-potash, tin and iron-oxide-copper-gold ("IOCG") projects.

Brazil

São Lourenço Tin Project

The focus of Lara's exploration is to evaluate the two tin-bearing granite hills of Serra Isaac and Serra Irene, which are the source rocks for the tin mined in the past from placers. The target granites are exposed over an area of approximately 3,800 meters by 1,000 meters. All of the rivers around these hills have been mined for tin and the granites themselves have primary tin hosted by zones of sheeted quartz and rhyolite veining and in their surrounding alteration (greisen) halos.

During the Period, the Company reported results from continuous channel sampling on the Isaac Target that outlined a series of northeast-southwest oriented greisens (tin bearing alteration zones), the largest of which is 250 meters in length and up to 50 meters wide with the better grades reported in Table 1 below:

Sample line	Interval (meters)	Tin grade (% Sn)
Line 1	50	0.298
Line 2	48	0.322
Line 3	36	0.502
and	42	0.208
Cut off 0.14% Sn, minimum width 4m and maximum internal waste 4m		

Mapping shows this zone continuing for at least another 100 meters in each direction and the alkali-granite body that is host to this mineralization is only partly exposed suggesting further potential under cover. The Isaac Target has several subordinate zones of mineralization where sampling has also identified zones with higher-grade (>1% tin) vein systems, a complete list of which are included in Table 2 below:

Sample line	Interval (meters)	Tin grade (% Sn)
Line 1	4	4.175
	2	4.850
	2	7.880
	6	0.360
	12	0.160
	10	0.144
	6	0.150
Line 2	8	0.630
	4	0.295
	4	0.225
Line 3	20	0.377
	4	0.510
	4	1.115
	18	0.303
Line 4	10	0.218
	8	0.745
	4	0.635
	14	0.160
	32	0.341
Line 5	14	1.161
Cut off 0.14% Sn, minimum width 4m (except for high-grade veins) and maximum internal waste 4m		

The Company plans to continue sampling on the Isaac Target to extend the known mineralized zones and undertake follow-up sampling on the Irene Target.

Curionópolis IOCG Project

During the Period, the Company continued discussions with the Department of Mines to resolve the remaining outstanding issues related to the Curionópolis license. This process has been slow, but progress is being made and a favourable outcome is expected in due course. Several other properties have been acquired contiguous and to the south of the Curionópolis license and work began on reconnaissance mapping and geochemical sampling to better define the known copper and gold mineralization.

Canabrava VMS Project

The Canabrava Project covers strike extensions of the north-south oriented geological sequence that hosts the Palmeirópolis Deposits, which are massive Cu-Zn-Ag (+/-Au) sulphide ore bodies discovered by the Brazilian Geological Survey in the 1970's. In May 2008, the Company signed a Letter of Intent with Votorantim Metals Zinco S.A. ("Votorantim") whereby Votorantim may earn up to a 70% interest in the Company's Canabrava VMS Project by funding \$2.5 million of exploration expenditures over a three year period and delivering a feasibility study within a further two years. During the Period, Votorantim as operator of the project, has completed a helicopter-borne electromagnetic survey and initiated a surface geochemical sampling program to define targets for drilling.

Sprott-Lara Strategic Alliance

In May 2008, Lara and Sprott Resource Corp., ("SRC") agreed to form a Strategic Alliance (the "Alliance") targeting phosphates, potash and other fertilizer feedstock minerals. Subsequent to the Period, a definitive agreement (the "Agreement") was signed. SRC will initially seed the Alliance with up to \$3,000,000 of which \$500,000 will be committed in the first year and Lara will act as the operator to seek acquisitions and undertake basic exploration. Lara's ownership is not subject to dilution in the first year and the Company may maintain its 50% interest thereafter by equally funding its share.

During the Period, the Company began acquiring mineral rights in Brazil and in Colombia on behalf of the Alliance and currently holds claims and licenses covering approximately 205,000 hectares. In Brazil, the Alliance has seven project areas covering phosphate-bearing sedimentary sequences or carbonatite igneous rocks and two areas with known potash-bearing evaporite sequences. The claims in Colombia cover sedimentary sequences containing various phosphate-rich beds.

RESULTS OF OPERATIONS

For the three months ended September 30, 2008, the Company reported a net loss of \$573,419 or \$0.03 per share as compared to a net loss of \$410,262 or \$0.03 per share for the comparable period in 2007. The increased loss of \$163,157 is primarily due to higher exploration expenditures of \$165,787, offset by lower stock based compensation expense of \$45,055 and lower income from warrants of \$26,315.

For the nine months ended September 30, 2008, the Company reported net income of \$2,824,067 or \$0.15 per share as compared to a net loss of \$1,193,391 or \$0.08 per share for the comparable period in 2007. The increased income of \$4,017,458 is a result of the gain, net of taxes, of \$4,384,162 from the sale of the Company's interest in the Mantaro Project to SRC offset by higher exploration expenditures of \$275,954 due to increased exploration activity throughout the Company's exploration property portfolio, increased stock based compensation expense of \$45,483 and lower income from warrants of \$53,160 in the nine months ended September 30, 2008 compared to the comparable period in 2007.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2008, the Company had working capital of \$3,774,409 as compared to \$4,449,780 at December 31, 2007. The decrease in working capital of approximately \$700,000 from December 31, 2007 was due to exploration expenditures and mineral property acquisition costs of \$1,135,734, capital asset additions of \$72,439, operating expenses of \$658,801 including current income taxes of \$238,952; offset by share capital issued for cash of \$1,061,250 and interest of \$105,598.

All of the Company's cash and cash equivalents at September 30, 2008 are held in interest bearing accounts and highly liquid short-term interest bearing investments with maturities of one year 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 management's opinion, the Company has sufficient working capital to meet its commitments for the next twelve months.

SUMMARY OF QUARTERLY RESULTS

	2008	2008	2008	2007
Quarter Ended	Sept. 30	Jun. 30	Mar. 31	Dec. 31
Exploration expenditures	471,281	272,046	372,407	459,165
Stock-based compensation	13,075	113,352	11,820	83,864
Net income (loss) for the period	573,419	3,908,724	(511,238)	(611,801)
Basic earnings (loss) per share	(0.03)	0.20	(0.03)	(0.04)
Diluted earnings (loss) per share	(0.03)	0.20	(0.03)	(0.04)

	2007	2007	2007	2006
Quarter Ended	Sept. 30	Jun. 30	Mar. 31	Dec. 31
Exploration expenditures	295,720	291,276	243,009	300,671
Stock-based compensation	58,130	-	-	32,887
Loss for the period	(410,262)	(432,231)	(350,898)	(414,245)
Loss per share (Basic and Diluted)	(0.03)	(0.03)	(0.02)	(0.03)

The loss for the quarters varies primarily based on exploration expenditures incurred and whether stock options are granted in the quarter other than the second quarter of 2008, which includes a gain, net of income taxes, of \$4,384,162 on the sale of the Company's interest in the Mantaro Project to SRC for 1,180,872 common shares of SRC.

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. The accounts that require significant estimates and assumptions or where the Company has a choice of alternative accounting principles are as follows:

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, or it is determined that an impairment exists. 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, 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 Obligations

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 the new recommendations of the CICA under the following Handbook guidelines:

Going-concern

The CICA amended Handbook Section 1400, "General Standards of Financial Statement Presentation", which requires management to make an assessment of an entity'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.

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.

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 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.

Recent Accounting Pronouncements

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.

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 November 25, 2008, there were 19,246,501 common shares issued. In addition, there were the following options and warrants outstanding:

- 1,845,000 stock options (1,540,000 fully-vested and exercisable) 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 per share and terms expiring on 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 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 as a result of new information, future events or otherwise.