

Lara Exploration Ltd.

Management Discussion and Analysis

Year ended December 31, 2005

Background

This discussion and analysis of financial position and results of operations is prepared as at April 21, 2006, and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2005 and 2004 of Lara Exploration Ltd. (the “Company” or “Lara”) with the related notes thereto. Those consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts included therein and in the following management discussion and analysis (“MD&A”) are in Canadian dollars except where noted. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com.

Company Overview

The Company is a development stage company engaged in mineral exploration in South America with properties in Peru and Brazil.

The Company was incorporated on March 31, 2003 by Quest Capital Corporation (“Quest”) as a wholly-owned subsidiary to acquire all of the issued and outstanding securities of Minas Dixon, which at the time was also an indirect wholly-owned subsidiary. Minas Dixon holds a group of mineral claims called the Lara property in southern coastal Peru. Effective March 29, 2004, the Company acquired all of the issued and outstanding shares of Minas Dixon pursuant to an acquisition agreement dated March 29, 2004.

Since Quest owned 100% of the Common Shares of the Company and indirectly owned 100% of the shares of Minas Dixon, the purchase has been accounted for under Canadian generally accepted accounting principles by combining the assets and liabilities of the Company and Minas Dixon at their carrying values and the operations are combined from the first period presented in the consolidated financial statements.

Subsequent to December 31, 2005, the Company completed the acquisition of Pan Brazilian Mineracao Ltda. (“Pan Brazilian”), a private Brazilian company that holds the rights to nine prospective gold, copper and nickel properties in Brazil. Details of the transaction and the properties are described in the body of this report.

Lara Property

The Company, Quest, Minas Dixon and Kay Metals Ltd. (at the time, a wholly owned subsidiary of Quest) entered into an agreement (the "Acquisition Agreement") dated March 29, 2004, whereby, among other things, Quest agreed to sell to the Company 100% of the issued and outstanding securities of Minas Dixon, which holds the Lara property, in exchange for the issuance by the Company to Quest of 3,000,000 Series A Special Warrants. The acquisition of all of the issued and outstanding securities of Minas Dixon by Lara was completed effective June 30, 2004.

Lara indirectly owns a 100% interest in three mining petitions comprising 1,800 hectares through its wholly-owned subsidiary, 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, which amount has been paid. If the Lara property is put into production, the Vendor will be entitled to receive a final payment of US\$500,000 on commencement of commercial production from any mineral deposits within the claim area.

The Company signed a binding letter of intent (effective November 1, 2005) which allows Solid Resources Ltd. ("Solid") the right to earn an initial 55% interest in the Lara Prospect. Under the agreement, Solid must make staged cash payments to the Company totaling \$500,000 and complete exploration expenditures of \$2 million, including a minimum of 8,000 metres of drilling to earn its initial interest. The cash payments include \$25,000 on signing and up to an additional \$175,000 in the first 12 months from signing. Lara has received \$50,000 under this agreement. Solid can then elect to earn a further 20% interest by producing a bankable feasibility study and paying \$1.5 million to the Company within a two year period. As of March 6, 2006, the drilling permit application has been submitted to the appropriate authorities.

Brazilian Properties

On February 15, 2006, the Company completed the acquisition of Pan Brazilian which holds the rights to nine prospective gold, copper and nickel properties in Brazil. Under the terms of the agreement, Pan Brazilian shareholders received three million escrow shares of Lara held by Quest and \$1 from the Company in exchange for a 100% interest in Pan Brazilian. In addition, Miles Thompson, who has 18 years of expertise in Brazil, became President & CEO and a director of the Company following the resignation of Alan Matthews as President and CEO. Concurrent with the acquisition, the Company completed a private placement of 5 million units at a price of \$0.50 per unit for gross proceeds totalling \$2.5 million. (details are discussed in the Subsequent Events section.).

Pan Brazilian's properties consist of:

- Araguaia nickel project in Para State consists of 43,000 hectares and is currently optioned to Falconbridge Ltd. Under the deal, Falconbridge can earn a 70% interest in the Araguaia project by making cash payments of US\$110,000 and spending US\$3.89 million on exploration on or before June 2009.

- Campos Verdes copper-gold project consists of 18,000 hectares and lies only 40km southwest of Yamana Gold's Chapada mine in Goias State.
- Hiquelandia gold project consists of 3,500 hectares close to Campos Verdes and the 2,036 hectare Fortuna gold project in Ceara State cover small scale workings, as does the 20,000 hectare Colorado project in the southern corner of Rondonia State in northwestern Brazil. Pan Brazilian is in the process of compiling and reinterpreting Taboca's exploration data.
- The 3,034 hectare Sao Felix copper-gold and the Cumaru copper-zinc properties in the Carajas district, the 495 hectare Amapari property Near Goldcorp's Amapari mine in Amapa State and the 2,000 hectare Piaui nickel project in Piaui State are earlier-staged properties.

Selected Annual Financial Information

	Year Ended December 31,		
	2005	2004	2003
Total income	\$ 8,363	\$ 587	\$ -
Operating expenses	128,312	95,316	52,905
Stock-based compensation	128,650	-	-
Loss for the year	(250,871)	(93,119)	(57,391)
Basic and diluted loss per share	(0.05)	(0.02)	(0.02)
Total assets	1,072,920	549,405	426,040
 Cash Flows From (Used In):			
Operating	(105,161)	(85,942)	(47,114)
Investing	(588,000)	1,886	-
Financing	621,456	206,224	29,472
Net Increase (Decrease)	(71,705)	122,168	(17,642)

In 2005, the Company became listed on the TSX Venture Exchange and completed an equity financing for gross proceeds totalling \$800,000, which is the main reason for the significant increase in assets as at December 31, 2005 as compared to 2004. Also during the current year, the Company entered into a binding letter of intent with Solid, granting Solid the right to earn an initial 55% interest in the Lara Property. Solid paid \$50,000 to the Company during the year in conjunction with this agreement.

Results of Operations

The Company recorded a loss of \$59,506 and \$250,871 respectively, for the three months and year ended December 31, 2005 compared to a loss of \$30,605 and \$93,119 for the corresponding periods of 2004. The increase in loss during the year ended December 31, 2005 mainly relates to the recognition of stock-based compensation expense of \$128,650 (2004 - \$Nil) for the options that became exercisable on May 30, 2005, \$38,500 (2004 - \$Nil) for the office facility and service contract with Quest and consulting costs of \$10,000 (2004 - \$10,000), paid to Quest,

related to assistance on the Minas Dixon property. Other expenses such as filing and transfer fees, office and facilities services were the result of the Company becoming publicly listed on May 30, 2005. The increases were slightly offset by a decrease in general exploration expenses and professional fees. The annual title fees were significantly lower in 2005 resulting from the Company's subsidiary paying additional fees in 2004 to bring the property into good standing.

Cash Flows, Liquidity and Capital Resources

At December 31, 2005, the Company's working capital was \$641,213 compared to \$104,978 as at December 31, 2004. The increase in working capital of \$536,235 was due mainly to the receipt of net proceeds of \$621,456 from the Company's initial public offering that closed on May 26, 2005 and from receipt of \$50,000 pursuant to the option on the Lara property granted to Solid during the year. The receipts were offset during the year by use of cash in operations totalling approximately \$105,000. It was planned that these proceeds would be used for work on the Lara Property and to fund ongoing operations. However, under the option agreement with Solid, the work program on the Lara property will be expanded and will be funded solely by Solid.

Subsequent to December 31, 2005, in conjunction with the acquisition of Pan Brazilian, the Company completed a private placement and issued five million units at a price of \$0.50 each, for gross proceeds of \$2.5 million. Each unit consisted of one common share and one common share purchase warrant. The Company also received \$124,600 pursuant to the exercise of stock options and \$492,962 pursuant to the exercise of share purchase warrants (see subsequent events for more details). The Company currently has sufficient working capital to carry out its 2006 exploration programs and to cover general and administrative costs. However, should the Company make a significant property acquisition or decide to accelerate development on one of more of its properties, the Company may require additional working capital.

Quarterly Information

	2005		2005	
Quarter Ended	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Operating Expenditures	\$ 65,072	\$ 14,144	\$ 163,949	\$ 13,797
Loss for the period	(59,956)	(13,273)	(164,261)	(13,381)
Loss per Share (Basic and Diluted)	(0.01)	-	(0.04)	-

	2004		2004	
Quarter Ended	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Operating Expenditures	\$ 35,257	\$ 15,908	\$ 28,732	\$ 15,419
Loss for the period	(30,605)	(16,914)	(29,713)	(15,897)
Loss per Share (Basic and Diluted)	(0.01)	-	(0.01)	-

Expenses incurred during the fourth quarter of 2005 were higher due to additional expenses related to the Solid option agreement and applying for drilling permits. The second quarter of 2005 had higher expenses than in previous periods because the Company recognized \$128,650 of stock-based compensation expense, incurred additional costs for becoming a public company and paid maintenance fees for the property in Peru. The fourth quarter of 2004 also had higher expenses. This resulted from accruing the audit fee for years 2002, 2003 and 2004 and recognizing a \$10,000 fee from Quest for assisting with the Minas Dixon acquisition and the Company's initial public offering. In the second quarter of 2004, Lara incurred costs of approximately \$7,000 for title fees and approximately \$14,000 for late filing fees to the government of Peru which resulted in the higher costs in that quarter.

Off Balance Sheet Arrangements

The Company has no off Balance Sheet arrangements.

Transactions with Related Parties

The Company entered into a Services Agreement dated February 1, 2005 with Quest Management Corp. ("Quest"), a company related by virtue of two directors and two officers in common. Under this agreement, the Company must pay Quest a fee of \$3,500 per month for office space, supplies, administrative and accounting services. During the year ended December 31, 2005 a total of \$38,500 (2004 - \$Nil) was charged by Quest.

The Company was charged \$10,000 (2004 - \$10,000) by Quest Management for services relating to the Minas Dixon property in 2005 and the acquisition of Minas Dixon in 2004.

The Company had an outstanding payable of \$14,469 (2004 - \$10,700) with Quest Management at December 31, 2005.

These transactions were in the normal course of operations and were measured at the exchange amount, which was the amount of consideration established and agreed to by the related parties. In general, the Company conducts these transactions on terms similar to those that would be encountered were the transactions conducted with arm's length parties.

Subsequent events

Subsequent to December 31, 2005, the Company entered into the following transactions:

- a) On February 15, 2006, the Company completed the acquisition of Pan Brazilian which holds the rights to nine prospective gold, copper and nickel properties in Brazil. In return for assigning Pan Brazilian to the Company, Pan Brazilian's shareholders received three million escrow shares of the Company held by Quest.
- b) Concurrent with the acquisition, the Company completed a private placement and issued five million units at a price of \$0.50 each, for gross proceeds of \$2.5 million. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of \$0.75, expiring February 15, 2008. If, at any time after the four-month restricted resale period for the

units (and any shares issuable on the exercise of the warrants), the closing price of Lara Exploration's common shares is above \$1.05 for 20 or more days, Lara has the right, on notice to the warrant holders, to accelerate the expiry date of the warrants to 20 business days following the date of such notice. A finder's fee of 127,500 common shares was paid pursuant to the private placement.

- c) The Company issued 311,500 common shares pursuant to the exercise of stock options for proceeds totalling \$124,600.
- d) The Company issued 985,925 common shares pursuant to the exercise of share purchase warrants for proceeds totalling \$492,962.
- e) The Company granted 965,000 stock options with a weighted average exercise price of \$1.13, expiring between January 11 and March 16, 2011.

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 or in US dollars. At this time there are no currency hedges in place. The Company does not have any employees. All work is carried out through independent consultants and the Company requires that all consultants carry their own insurance to cover any potential liabilities as a result of their work on a project.

Cautionary Statement

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.

Outstanding Share Data

As at April 21, 2006, there were 12,337,426 common shares issued. In addition, there were the following options and warrants outstanding:

- 115,000 stock options, of which all have vested, with an exercise price of \$0.40 per share and a term expiring on May 30, 2010;
- 250,000 stock options granted to the President of the Company with an exercise price of \$0.51 per share and a term expiring on January 11, 2011;
- 715,000 stock options with an exercise price of \$1.35 per share and a term expiring March 16, 2011;
- 1,214,075 warrants which expire May 26, 2006 with an exercise price \$0.50 per share;
- 5,000,000 warrants which expire February 15, 2008 with an exercise price \$0.75 per share;

A total of 3,000,001 of the Company's issued common shares are held in escrow and will be released in equal amounts at regularly scheduled intervals to April 30, 2008.

Internal Disclosure Controls and Procedures

We have evaluated the effectiveness of our disclosure controls and procedures and have concluded that, based on our evaluation, they are sufficiently effective as of December 31, 2005 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to management and disclosed in accordance with applicable securities regulations.