

Lara Exploration Ltd.

Management Discussion and Analysis

Year Ended December 31, 2006

Background

This management discussion and analysis of financial position and results of operations is prepared as at April 19, 2007, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2006 of Lara Exploration Ltd. (the “Company” or “Lara”) and the related notes thereto. Those annual audited 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 expressed 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 an exploration company dedicated to the identification, acquisition and exploration of gold and base metals in South America 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 project development. By following this strategy, Lara plans to build a portfolio of projects that will allow it to maximize discovery opportunities while minimizing its funding requirements and risk.

On February 15, 2006, the Company completed the acquisition of Pan Brazilian Mineração Ltda. (“Pan Brazilian”), a private Brazilian company that holds the rights to fourteen prospective gold, copper and nickel properties in Brazil. 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 \$2.5 million (details are discussed in the Liquidity section below).

Brazil Properties

Pan Brazilian held roughly 100,000 hectares of exploration licenses and claims in nine distinct project areas at the time of its acquisition by Lara on February 15, 2006. Since then, the Company acquired additional claims and licenses such that it held approximately 420,000 hectares by year end, spread over fourteen distinct project areas.

Most of these properties are still at reconnaissance stage and part of Lara's on-going generative efforts. Lara or its partners were active on the following projects during 2006:

The Pará Nickel Project (previously called the Araguaia Project)

This project comprises 301,000 hectares of 100%-owned mineral rights targeting nickel laterite and sulphide mineralization in mafic-ultramafic intrusives in the Araguaia Belt (N. Brazil). The original 43,000 hectares of claims were optioned to a Brazilian subsidiary of Falconbridge Ltd. (now part of Xstrata plc) in 2005. Under this option agreement, Falconbridge could earn a 70% interest in the project by making cash payments of US\$110,000 (US\$40,000 paid) to the Company and by incurring at least US\$3.89 million of exploration expenditures by June, 2009 (approximately US\$300,000 invested). During 2006, Falconbridge conducted mapping, regional geochemistry, airborne geophysics (a helicopter-borne electro-magnetic survey) and completed 19 diamond drill holes for a total of 661.45 metres. This work resulted in the discovery of significant nickel laterite mineralization at Vila Oito and the delineation of a 10 kilometer soil anomaly of sulphide-hosted nickel-copper.

In addition to the ground held in joint venture with Falconbridge, a further 258,000 hectares of exploration claims were acquired during the year, to bring Lara's land holding to the total of 301,000 hectares. During 2006 Lara conducted reconnaissance level exploration over a significant part of this property package, identifying several targets. Thus, on November 1, 2006, Lara signed another agreement with Falconbridge, whereby the Company issued to Falconbridge 15,000 common shares and 15,000 share purchase warrants in exchange for access to proprietary exploration data in Brazil. The 15,000 share purchase warrants are convertible into the same number of common shares at a price of \$1.30 for a period of two years. This data comprised airborne geophysics and photogeology over the properties not subject to the JV with Falconbridge.

Subsequent to the year end in March 2007, Xstrata relinquished the optioned property back to Lara and the Company is currently engaged in the process of merging the Falconbridge and Lara datasets into a single package and using it to define further targets. A total of 55 target areas have already been defined using magnetic, radiometric, geochemical and topographic datasets to prioritize further fieldwork.

The Campos Verdes Project

This project comprises 26,000 hectares of exploration licenses covering part of the Santa Terezinha greenstone belt in Goiás State (Central Brazil). The property is located some 40km from Yamana Gold's Chapada copper-gold mine and 25km from the Crixás gold mine owned equally by AngloGold Ashanti and Kinross. During the year, the Company completed surface sampling (soil, rock and stream sediment) and trenching. This work outlined gold anomalies over 6km of the 12km of prospective structure with the best results including 2m at 133.6g/tAu and 2m at 44.8 g/tAu from the abandoned surface workings at João Neves.

Subsequent to year end the Company completed an option and joint-venture agreement with CCT Capital Ltd. (“CCT”), a Canadian Venture Exchange listed Capital Pool Company. Under the terms of this agreement, CCT may earn a 70% interest in the Campos Verdes Gold Project by investing an aggregate US\$2 million on exploration over a three-year period, with US\$500,000 committed in Year-1. CCT paid US\$50,000 to Lara upon closing on February 27, 2007, part of which will be used by Lara to subscribe for 200,000 units in CCT for \$0.165 per unit. Each unit will consist of one common share and one share purchase warrant. Each warrant will enable the Company to acquire one additional common share of CCT for \$0.33 per share.. Lara is the project operator.

The Colorado Gold Project

The Colorado project comprises an option to acquire 20,000 hectares of exploration licenses covering greenstones of the Guaporé belt in Rondônia State (NW Brazil). In order to exercise its option, the Company must pay to the optionor a total of US\$170,000 (US\$10,000 paid to date) and has a work commitment of US\$310,000 in exploration expenditures (approximately \$110,000 incurred to December 31, 2006). Over US\$1 million had been spent on the project during the 1990’s prior to Lara’s involvement, including 38 diamond drill holes. The main target is a 1.6km zone of quartz veining and breccias related to shearing of mafic volcanics and intrusives. The best results from this historical drilling were 3.46m at 25.47g/tAu from hole 12 and 11.05m at 5.8g/tAu from hole 14.

The Company’s exploration work during the year comprised mapping, soil sampling, trenching and channel sampling. The best results from channel sampling included 3.6m at 6.96g/tAu at Zé Goiano and 2m at 7.92g/tAu in the Solinger pit. This work has largely verified the historical dataset and defined a series of high-grade gold targets for further drill testing.

Lara Property, Peru

The Company indirectly owns a 100% interest in three mining properties. Pursuant to an underlying finder’s fee agreement dated October 5, 1994, the Company has made staged cash payments in the aggregate amount of US\$55,000. 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.

During the year ended December 31, 2005, the Company signed a binding letter of intent with Solid Resources Ltd. (TSX-V:SRW) (“Solid Resources”) which grants Solid Resources the right to earn an initial 55% interest in the Lara Prospect. Under the agreement, Solid Resources must, over a three-year period, make staged cash payments to the Company totaling \$500,000 and complete exploration expenditures of \$2,000,000, including a minimum of 8,000 meters of drilling to earn its initial interest by November 1, 2008.

The cash payments are due as follows:

Nov 1, 2005 - \$25,000 (received)
 Dec 30, 2005 - \$25,000 (received)
 July 10, 2006 - \$50,000 (received)
 Nov 1, 2006 - \$100,000 (received)
 Nov 1, 2007 - \$100,000
 Nov 1, 2008 - \$200,000

Subsequent to earning a 55% interest, Solid Resources can then elect to earn a further 20% interest by producing a bankable feasibility study and by paying \$1,500,000 to the Company by November 1, 2010.

The Company was granted the relevant environmental permits to resume drilling of the Lara Property on October 2, 2006 which triggered the 2006 payments totaling \$150,000 from joint venture partner Solid Resources Ltd.

Selected Annual Financial Information

	Year Ended December 31,		
	2006	2005	2004
Interest income	\$ 129,779	\$ 8,363	\$ 587
Operating expenses	880,193	112,094	95,316
Exploration expenses	493,564	16,218	-
Stock-based compensation	629,436	128,650	-
Loss for the year	(1,871,900)	(250,871)	(93,119)
Basic and diluted loss per share	(0.14)	(0.05)	(0.02)
Total assets	5,178,998	1,072,920	549,405

Cash Flows From (Used In):

Operating	(1,212,433)	(105,161)	(85,942)
Investing	(3,364,613)	(588,000)	1,886
Financing	4,946,725	621,456	206,224
Net Increase (Decrease) in cash	369,679	(71,705)	122,168

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 \$2.5 million. In addition, during the year, the Company received approximately \$2.3 million of proceeds pursuant to the exercise of share purchase warrants and stock options (details are discussed in the Liquidity section below). These are the main reasons for the significant increase in assets as at December 31, 2006 as compared to 2005.

In 2005, the Company became listed on the TSX Venture Exchange and completed an equity financing for gross proceeds totaling \$800,000, which is the main reason for the significant increase in assets as at December 31, 2005 as compared to 2004. Also during

2005, 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 \$1,871,900 for the year ended December 31, 2006 compared to a loss of \$250,871 for the corresponding period of 2005. The increase in loss during the year ended December 31, 2006 mainly relates to the acquisition of Pan Brazilian, resulting in increased exploration activities and related expenses and professional fees, as well as the recognition of stock-based compensation expense of \$629,436 (2005 - \$128,650). Other expenses such as filing and transfer fees, office and facilities services were the result of the Company being publicly listed for the entire year during 2006 (the Company became publicly listed on May 30, 2005). The increases were also caused by a significant increase in general exploration.

Exploration Expenses

The Company incurred exploration expenses of \$184,004 (2005 - \$7,324) and \$493,564 (2005 - \$16,218) respectively, for the three months and year ended December 31, 2006, most of which were incurred in Brazil.

Office, Rent and Administrative Expenses

Office, rent and administrative services totaled \$182,364 for the year ended December 31, 2006 and are summarized as follows:

	2006	2005
Administrative services	\$ 83,982	\$ 38,500
Bank charges and interest	6,741	1,474
Office expense	70,351	1,494
Rent	21,290	0
<u>Stock-based compensation</u>	<u>192,728</u>	<u>0</u>
	<u>\$182,364</u>	<u>\$ 41,468</u>

Liquidity and Capital Resources

The Company had working capital at December 31, 2006 of \$4,130,896 as compared to \$641,213 at December 31, 2005. The increase in working capital of \$3,489,683 was due mainly to the proceeds from a private placement and the exercise of warrants and options totaling approximately \$5 million. The proceeds from share issuances were partially offset by the loss for the year, adjusted for items not affecting cash, of \$1,106,231, investments in mineral properties of approximately \$450,000 (offset by option payments received of approximately \$172,000 (2005 - \$50,000) and purchase of furniture and equipment of approximately \$72,000. The Company increased its short-term investment by approximately \$3,013,000 during the current year to take advantage of higher interest

rates on unused funds. The short-term investment is convertible into cash at any time without interest penalty.

In February, 2006, 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 currently has sufficient working capital to carry out its 2007 exploration programs and to cover its expected general and administrative costs. However, should the Company make a significant property acquisition or decide to accelerate development on one or more of its properties, the Company may require additional working capital.

Quarterly Information

	2006	2006	2006	2006
Quarter Ended	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Operating Expenditures	\$ 279,687	\$ 264,722	\$ 165,103	\$ 786,832
Loss for the period	(404,836)	(418,852)	(195,596)	(852,616)
Loss per Share (Basic and Diluted)	(0.03)	(0.03)	(0.01)	(0.07)

	2005	2005	2005	2005
Quarter Ended	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Operating Expenditures	\$ 57,748	\$ 14,144	\$ 163,949	\$ 13,797
Loss for the period	(59,506)	(13,273)	(164,261)	(13,381)
Loss per Share (Basic and Diluted)	(0.01)	(0.01)	(0.04)	-

Fourth Quarter Results

The Company recorded a loss of \$404,836 for the three months ended December 31, 2006 compared to a loss of \$59,506 during the corresponding period of 2005. Expenses incurred during the fourth quarter of 2006 were higher due to additional expenses related to exploration activities in Brazil, the accrual of the 2006 audit fees and the recognition of additional stock-based compensation expense, offset by the receipt of property option payments.

2006

Expenses incurred during the third quarter of 2006 were comparable to those of the second quarter. Expenses incurred during the second quarter of 2006, with the exception of stock-based compensation expense (Q2 - \$Nil; Q1 - \$486,429) were comparable to those of the first quarter. While professional fee expense was significantly lower, there was an increase in general and administrative costs that related to newly-acquired operations in Brazil.

2005

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.

Off Balance Sheet Arrangements

The Company has no off Balance Sheet arrangements.

Critical accounting policies and estimates

The preparation of financial statements requires management to establish accounting policies, estimates and assumptions that affect the timing and reported amounts of assets, liabilities, revenue and expenses. These estimates are based on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. A summary of the Company's accounting policies is set forth in note 2 of the consolidated financial statements for the year ended December 31, 2006.

There were no changes in accounting policies during the year ended December 31, 2006.

Transactions with Related Parties

The Company pays Quest Management Corp. ("Quest Management"), a subsidiary of Quest Capital Corp., and related by virtue of two Directors in common, \$1,250 per month for rent. The Company had an outstanding payable of \$1,250 to Quest Management at December 31, 2006 (2005 - \$3,500).

During the current year, the Company entered into a Consulting Services Agreement with the President of the Company whereby the Company must pay a management fee of \$10,000 per month. During the year ended December 31, 2006, the Company was charged \$120,000 (2005 - \$Nil) by the President of the Company, of which \$Nil (2005 - \$Nil) was payable as at December 31, 2006.

Amounts due to a related party include amounts payable to a company related by virtue of having one common director, are payable upon demand and are non-interest bearing.

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.

Subsequent events

Subsequent to December 31, 2006, the Company entered into the following transactions:

- (a) Issued 205,000 common shares pursuant to the exercise of share purchase warrants for proceeds totaling \$153,750;
- (b) Signed a property option and joint venture agreement with CCT Capital Ltd. ("CCT"), whereby CCT may earn a 70-per-cent interest in Lara's Campos Verdes gold project by paying \$50,000 (U.S.) to Lara on signing (received) and incurring a total of \$2-million (U.S.) of expenditures on the property within a three-year period, of which \$500,000 (U.S.) must be spent within the first year. The Company will be the project operator during the option period.

The agreement is intended to form the basis of CCT's qualifying transaction and is conditional upon receipt of TSX Venture Exchange approval by June 30, 2007 and CCT having exploration funds of at least \$500,000 (U.S.) at that time. It is further conditional upon CCT completing a private placement of which a total of 200,000 common shares of CCT is made available for purchase by the Company at a price of \$0.165 per share, together with warrants to purchase a further 200,000 shares at a price of \$0.33 per share, for a period of two years.

- (c) Signed a property option agreement with a privately-owned Brazilian company, HSAK Mineração Ltda ("HSAK"), whereby HSAK may earn an 80% interest in the Company's Fortuna Gold Project in Northeast Brazil by paying \$20,000 (\$10,000 received) and fulfilling certain work commitments. Lara may exchange its residual share for a 2% NSR royalty.
- (d) Signed an option to agreement to acquire the São Lourenço Tin Mine in Rondônia State, Northwest Brazil. Under the terms of the option, the Company must pay the owners US\$75,000 (US\$12,500 paid) over three years and may, within that period, acquire the property outright for US\$1 million.

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.

Lara 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.

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.

Outstanding Share Data

As at April 19, 2007, there were 15,584,001 common shares issued. In addition, there were the following options and warrants outstanding:

- 1,310,000 stock options (1,235,000 fully-vested) with a weighted average exercise price of \$1.10 per share and terms expiring between May 30, 2010 and December 18, 2011;
- 3,195,000 share purchase warrants with a weighted average exercise price of \$0.75 and a terms expiring between February 15 and November 17, 2008.

A total of 1,800,001 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.

Disclosure Controls and Internal Controls over Financial Reporting

The CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and procedures and have assessed the design of the Company's internal controls over financial reporting for the year ended December 31, 2006, pursuant to the certification requirements of Multilateral Instrument 52-109. They concluded that as of December 31, 2006, weaknesses existed in the design of internal control over financial reporting with respect to process controls and segregation of duties as a result of a having a limited number of accounting staff both at head office and at the foreign subsidiaries.

The CEO and CFO have concluded that considering the size and stage of development of the Company and the best interests of its shareholders, the issue does not warrant the hiring of additional accounting staff to correct the lack of segregation of duties and its effect on process controls at this time.

The CEO and CFO acknowledge responsibility for the design of internal control over financial reporting (ICFR), and confirm that there were no changes in these controls that occurred during the three months ended December 31, 2006 which materially affected, or are reasonably likely to materially affect, the Company's internal control for financial reporting.