

**LARA EXPLORATION LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2007**

BACKGROUND

This management's discussion and analysis of financial position and results of operations is prepared as at May 22, 2007, and should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2007 of Lara Exploration Ltd. (the "Company" or "Lara") 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, 2006 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.

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 or www.laraexploraion.com.

COMPANY OVERVIEW

The Company is an exploration company dedicated to the identification, acquisition and exploration of gold and base metals 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 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.

MINERAL PROPERTIES

Brazil

The Company holds a large portfolio of mineral properties throughout Brazil, with exploration focused on the discovery of significant nickel, gold, tin and copper mineralization. During the three months ended March 31, 2007, the Company or its joint venture partners were active on the following projects:

The Araguaia Nickel Project

This project comprises 301,000 hectares of 100%-owned mineral rights targeting nickel laterite and sulphide mineralization in mafic-ultramafic intrusives of the Araguaia Belt (Northern Brazil). Forty-three thousand hectares of these mineral rights were optioned to a Brazilian subsidiary of Falconbridge Ltd. (“Falconbridge”). In late 2006, Falconbridge was acquired by Xstrata plc (“Xstrata”) and in the first quarter of 2007, Xstrata relinquished this optioned property back to Lara, in order to focus on the feasibility and development of its wholly-owned Serra da Tapa and Vale dos Sonhos discoveries to the north and within the same geological belt.

The mineral rights returned by Xstrata include the Vila Oito discovery where Falconbridge intercepted significant nickel laterite mineralization in their 2006 drilling, in addition a 10 kilometer soil anomaly of sulphide-hosted nickel-copper. The Company conducted reconnaissance level exploration over the remainder of the properties through 2006 and in November 2006, agreed to issue 15,000 shares and 15,000 warrants to Falconbridge for access to its airborne geophysical and photo-geological datasets.

During the three months ended March 31, 2007, the Company re-processed this data along with the Company’s own field data acquired during 2006. This work has been very encouraging, generating 55 exploration targets (many of which are not exposed at surface) which will be field checked in the coming months.

The Campos Verdes Project

This project comprises 26,000 hectares of gold and copper exploration licenses in Goiás State (Central Brazil). The property is located some 25km from the Chapada gold-copper mine (owned by Yamana Gold Inc.) and 40km from the Crixás gold mine (owned equally by AngloGold Ashanti Ltd. and Kinross Gold Corp.). During 2006, the Company completed surface sampling (soil, rock and stream sediment), mapping and trenching. This work outlined gold anomalies over 6km of a 12km 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.

On February 27, 2007, the Company signed a Property Option and Joint Venture Agreement (the “Agreement”) with CCT Capital Ltd., (“CCT”) whereby CCT may earn a 70% interest in the Company’s Campos Verdes gold project by paying US\$50,000 on signing (received) and incurring a total of US\$2 million of expenditures on the property within a three year period as follows:

- US\$500,000 on or before the first anniversary of the effective date (February 27, 2008):
- US\$700,000 on or before the second anniversary of the effective date (February 27, 2009); and
- US\$800,000 on or before the third anniversary of the effective date (February 27, 2010)

The Campos Verdes project serves as CCT's qualifying transaction. The Agreement is conditional upon receipt of exchange approval by June 30, 2007 and CCT having exploration funds of at least US\$500,000 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 Lara 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.

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 complete US\$310,000 in exploration expenditures (approximately \$137,000 incurred to March 31, 2007). 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 in sheared mafic volcanics and intrusives, where the best results from historical drilling were 3.46m at 25.47g/tAu from hole 12 and 11.05m at 5.8g/tAu from hole 14. During the three months ended March 31, 2007, the Company completed fieldwork and data compilation and is now presenting this project to potential joint venture partners.

São Lourenço Tin Mine

The Company entered into an option agreement to purchase the São Lourenço tin mine on January 29, 2007. The São Lourenço tin mine comprises seven mining licenses covering a total of 3,549 hectares, located in Rondônia State in Northwest Brazil. The mine was a significant tin producer from alluvial deposits during the 1980's, but has never been systematically explored for primary tin. The option is held in the name of a joint venture company which will be owned 80% by the Company. Under the terms of the option, the joint venture company will pay US\$75,000 in staged lease payments over three years. The joint venture company then has up to three years from the date of signing to exercise its option to acquire the mineral property rights by making a one-time payment of US\$1 million. The payment schedule for the staged lease payments is as follows:

- US\$12,500 on signing of the agreement (paid)
- US\$12,500 after 100 days of signing the agreement (paid)
- US\$20,000 on the first anniversary of signing of the agreement
- US\$30,000 after the second anniversary of signing the agreement

During the three months ended March 31, 2007, reconnaissance work by the Company has identified exposed tin veins and disseminations over the Isaac and Irene granites that form prominent hills within the property and are considered the source rocks for the tin mined from the alluvials.

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") which grants Solid the right to earn an initial 55% interest in the Lara Prospect over a three-year period by making staged cash payments to the Company totaling \$500,000 and completing 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 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. No work was done by Solid during the three months ended March 31, 2007. Solid must now drill a minimum of 1,500 meters on the property by October 2, 2007.

RESULTS OF OPERATIONS

For the three months ended March 31, 2007, the Company reported a loss of \$350,898 as compared to a loss of \$898,176 in the first quarter of 2006. The decrease is due mainly to the recognition of stock option expense of \$nil compared to \$486,429 in the prior year on granting of stock options to directors, officers, consultants and administrative staff. Stock option expense of \$128,484, \$123,459, \$41,758 and \$192,728 was allocated to directors' remuneration, management fees, consultants and office, rent and administrative services respectively in the March 31, 2006 period.

Professional fees, transfer agent and filing fees and travel and related costs for the three months ended March 31, 2007 decreased to \$58,800 from \$179,429 in the same

period in the prior year due to the costs incurred in the prior year associated with the acquisition of Pan Brazilian Mineração Ltda.

Exploration expenses for the three months ended March 31, 2007 increased to \$253,825 from \$122,011 in the prior year due to increased exploration in Brazil as the Company continues to build a portfolio of projects and in the prior year activities were only conducted for a portion of the period as the acquisition of Pan Brazilian Mineração Ltda. occurred on February 15, 2006.

A recovery of expenditures of \$11,258 and gain on sale of property of \$11,166 were realized in the three months ended March 31, 2007 as a result of signing of a property option agreement where the private Brazilian Company can earn an 80% interest in the Company's Fortuna Gold Project in Northeast Brazil by fulfilling certain work commitments.

Interest income increased to \$38,033 for the three months ended March 31, 2007 from \$10,667 in the prior period due to higher cash balances during the quarter.

SUMMARY OF QUARTERLY RESULTS

	2007	2006	2006	2006
Quarter Ended	Mar. 31	Dec. 31 (1)	Sept. 30 (1)	Jun. 30 (1)
Operating Expenditures	\$ 154,862	279,687	264,722	165,103
Loss for the period	(350,898)	(521,503)	(624,568)	(274,708)
Loss per Share (Basic and Diluted)	(0.02)	(0.03)	(0.03)	(0.01)

	2006	2005	2005	2005
Quarter Ended	Mar. 31 (1)	Dec. 31	Sept. 30	Jun. 30
Operating Expenditures	\$ 786,832	57,748	14,144	163,949
Loss for the period	(898,176)	(59,506)	(13,273)	(164,261)
Loss per Share (Basic and Diluted)	(0.07)	(0.01)	(0.01)	(0.04)

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

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.

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.

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. Expenses incurred during the third and fourth quarter of 2005 were lower than the expenses in the second quarter of 2005 due to stock option expense of \$126,650.

LIQUIDITY AND CAPITAL RESOURCES

For the three months ended March 31, 2007, the Company had working capital of \$3,937,131 as compared to \$4,130,896 at December 31, 2006. The increase is mainly due to the increase in share capital for cash on the exercise of warrants.

The Company does not currently own or have an interest in any producing mineral properties and does not derive any revenues from operations. The Company's activities have been funded through equity financing and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flow from operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail its activities to a level for which funding is available and can be obtained.

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, 2006, 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

Property acquisition costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize acquisition costs until the property to which they relate is placed into production, sold or abandoned. This policy is consistent with 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.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2007, the Company changed its accounting policy for mineral properties from deferring exploration costs directly relating to active investigations of mineral properties to expensing such costs until such time as their development potential is evidenced by a positive economic analysis of the project is identified. The change is being made to facilitate consistent accounting policies amongst all of the companies in the consolidated group as the accounting policy for mineral properties in the foreign jurisdictions that the Company operates requires that exploration costs be expensed. This change has been applied retroactively and the comparative figures in the consolidated financial statements have been restated. The effect of this change on the balance sheet is to decrease mineral properties and increase the accumulated deficit by \$447,055 as at December 31, 2006. The effect of this change on the statement of loss and comprehensive loss is to increase exploration expenses, loss and comprehensive loss for the three months ended March 31, 2006 by \$45,560.

Effective January 1, 2007, the Company adopted the provisions of CICA Handbook Sections 3855, Financial Instruments – Recognition and Measurement, 3861 – Financial Instruments – Disclosure and Presentation, 1530 – Comprehensive Income, and 3865 – Hedging, on which addresses the classification, recognition and measurement of financial instruments in the financial statements and the inclusion of other comprehensive income.

Section 3855 requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income. Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. Section 1530 requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements. Certain gains and losses that would otherwise be recorded as part of net earnings would now be presented in "other comprehensive income", until it is considered appropriate to recognize into net earnings.

The adoption of the above sections in 2007 did not impact the accumulated deficit and losses of the Company.

TRANSACTIONS WITH RELATED PARTIES

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

For the three months ended March 31, 2007, Quest Management charged the Company \$6,299 for office rent and supplies. The Company had had an outstanding payable of \$1,304 to Quest Management at March 31, 2007.

SUBSEQUENT EVENTS

Subsequent to March 31, 2007, the Company entered into the following transactions:

- (a) Issued 35,000 common shares pursuant to the exercise of share purchase warrants for proceeds totaling \$26,250.
- (b) Granted 75,000 stock options exercisable at \$1.32 per share for a period of five years to an officer of the Company.
- (c) Signed a letter of intent on April 19, 2007 to create a joint venture vehicle to acquire properties and explore in the Tapajós District in Brazil. The new company, T'Gold Mineração Ltda ("T'Gold") will be formed as the joint venture vehicle and will be owned 50% by the Company. The initial property portfolio will include 44,800 hectares of exploration claims which will be contributed by third parties who will own the other 50% of the joint venture. Lara will contribute up to US\$300,000 in exploration expenditures. T'Gold will pay a 1.5% net smelter royalty to one of the third parties on production from certain of the properties that are being contributed, but may buy back half of this royalty for US\$750,000. The agreement is the subject to title due-diligence and the approval of the board of directors of the Company.

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 May 22, 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 acknowledge responsibility for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer and have designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared and have designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the CEO and CFO, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control

systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.