

**LARA EXPLORATION LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2008**

BACKGROUND

This management's discussion and analysis of financial position and results of operations is prepared as at May 22, 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 months ended March 31, 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

Lara is a company dedicated to the identification, acquisition and exploration of gold, base metal and other projects 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 March 31, 2008, the Company advanced several of its projects, with drill programs completed on the Araguaia Nickel, Campos Verdes Gold and the Lara Copper Project. On the generative exploration front, the Company completed reconnaissance work on the Santa Felicidade Gold Project in the Tapajós (part of the 50%-owned T'Gold JV) and reported positive results from its initial exploration program on the São Lourenço Tin Project. New acquisitions included prospective ground in the Carajás district and at Canabrava in Goiás State along strike from the Palmeirópolis VMS deposits.

Brazil

Araguaia Nickel Project

This project comprises 310,000 hectares of 100%-owned mineral rights in northern Brazil targeting nickel laterite and sulphide mineralization, in mafic-ultramafic intrusives of the Araguaia Belt in Pará State. The project is the subject of an Option and Joint Venture Agreement signed in October 2007, whereby Teck Cominco Brasil S.A. ("Teck Cominco") may earn up to a 60% interest in the property by paying Lara \$600,000 in cash and incurring exploration expenditures of \$4,000,000 over a 36 month period (see News Release dated of October 1, 2007).

During the three-month period ended March 31, 2008, Teck Cominco completed a 42-hole (965 meter) infill diamond drilling program on the Vila Oito target and initiated field testing and scout drilling of other priority geophysical anomalies on the Araguaia project. To date analytical results for 33 of the 42 holes

drilled at Vila 8 have been reported (see News Release January 31, 2008) showing that the mineralization is reasonably consistent across the 1.4 by 1.0 kilometer area, with a well-defined NNE-SSW trend that extends onto the adjoining Teck Cominco property to the northeast and south. Mineralization is up to 20 meters thick and grades in excess of 1.5% nickel have been intersected in places.

Teck Cominco also completed field checking on eight of the priority geophysical targets previously identified by the Company in the area west of Conceição do Araguaia, with soil sampling carried out on seven and scout drilling on two. Drillhole PCA-DD-0487, which tested an area where disseminated nickel and copper sulphides were seen in outcrop, returned an interval of 4.5 meters at 1.21% nickel in saprolite.

Campos Verdes Gold Project

This project comprises 32,900 hectares of gold and copper exploration licenses in central Brazil in the Brasília Belt in Goiás State, twenty-five kilometers west of the Chapada copper-gold mine owned by Yamana Gold Inc. Exploration work at Campos Verdes is operated by Lara but funded by CCT Capital Inc. ("CCT"), under the terms of a Property Option and Joint Venture Agreement signed on February 27, 2007, whereby CCT can earn a 70% interest in the project by spending US\$2,000,000 on exploration by February 27, 2010.

During the three-month period ended March 31, 2008, the Company completed 1,448 meters of diamond drilling that tested the down-dip extensions of mineralization sampled in the abandoned João Neves open pit and extensions (978 meters in six drill holes) and tested the Jeovah soil and trench anomalies to the northeast (408 meters in three holes). The João Neves and Jeovah targets are part of a 12 kilometer-long regional trend that is interpreted as being a Proterozoic-age thrust fault. A single 61-meter-long hole was also drilled at the Modesto target to test a strong Induced Polarization anomaly in another area of abandoned artisanal workings in the southern part of the property. The drill cores have been logged, sampled and the core samples submitted for analysis, with results expected in the second quarter of 2008.

São Lourenço Tin Project

The São Lourenço tin project comprises an option to acquire 3,549 hectares of mining licenses in Rondônia State, northwest Brazil. The São Lourenço mine operated in the 1970's and 1980's, producing approximately 12,000 tonnes of tin from placer (alluvial) mining. In January 2007, the Company signed an option agreement to purchase 100% of the São Lourenço mining rights for approximately US\$1.07 million (US\$48,000 paid to date) payable over three years.

During the three-month period ended March 31, 2008, the Company completed an initial exploration program comprising a 200 meter by 50 meter rock and saprock channel sampling grid (with partial infill to 100 meters) over the exposed surfaces of the Serra Isaac and Serra Irene hills, which sit within the old mining area and are considered to have been the source rocks for the placer tin mined in the past. The target granites are exposed over an area of approximately 3,800 meters by 1,000 meters, with a river (probably following a fault) separating the two hills. Mineralization, in the form of the tin oxide cassiterite, is hosted by zones of sheeted quartz and rhyolite veining and in their surrounding alteration (greisen) halos. Serra Irene also has a wide area of disseminated sulphide mineralization comprising pyrite, chalcopyrite, sphalerite and galena. Approximately 20% of the grid area sampled to date has returned values in excess of 0.1% cassiterite (tin oxide SnO₂), of which approximately half has returned values in excess of 0.2% cassiterite. A follow-up program of infill sampling, geophysics, trenching and bulk sampling is already underway.

Tapajós Gold Project

The Tapajós project in northern Brazil comprises a joint venture to explore for intrusion-related gold (and copper) deposits in the Tapajós District of Pará State. Under the terms of the Letter of Intent signed on

April 19, 2007, the Company invested US\$300,000 of seed funding for a 50% participation in the new joint venture company T'Gold Mineração Ltda ("T'Gold") with rights to 44,800 hectares of exploration claims covering historical garimpos workings at Santa Felicidade, Santa Cecilia, Castelo, Colibri (Beija-Flor), Caic-1 and Caic-2.

During the three-month period ended March 31, 2008, the Company completed an initial field program of soil, rock chip and channel sampling along some 10 kilometers of a structural trend that is host to a number of artisanal mining operations.

Curionópolis IOCG Project

In January 2008, the Company signed an Option Agreement to acquire a 100% interest in the Curionópolis Property, near the town of Curionópolis in the highly prolific Carajás District of northern Brazil. The Agreement is subject to TSX Venture Exchange approval and resolution of underlying title issues. 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. In addition the Company has acquired a further five claims and licenses that are either adjacent to or in the same immediate area.

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 kilometers and rising over 100 meters above the surrounding topography. 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 metres 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 to 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. Grab sampling during the Company's due diligence work returned grades as high as 8.4 grams per tonne ("g/t") gold and 31.5 % copper from the IOCG veins and between 29.7% and 66.1% iron from the iron formations.

The Carajás District is one of Brazil's most prolific mining districts. A major producer of high-grade iron ore has reported producing 100 million tonnes of iron ore from the Carajás District in 2007. The Carajás District is also an emerging IOCG copper province of considerable importance with five IOCG deposits discovered to date – Sossego, Salobo, Alemão, Km-118 and Cristalino. Sossego is currently producing approximately 140,000 tonnes per year of copper in concentrates while Km-118 is expected to start production of copper metal in 2009 and Salobo is slated to start producing in 2010.

Canabrava VMS Project

The Canabrava Project comprises approximately 28,500 hectares of exploration claims and licenses in the Municipality of Palmeirópolis, straddling the State boundary between Goiás and Tocantins in north-central Brazil. The property lies adjacent to and 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 ("CPRM") in the 1970's. The CPRM has drilled some 32,000 meters of diamond core at Palmeirópolis in the 1970's, of which approximately 26,000 was used to define four ore bodies (C1 to C4) with a total resource of 5.5Mt at an average grade of 5.28% Zn+Pb, 0.83% Cu and 23.95 g/t Ag. These resources are historical and not compliant with National Instrument 43-101 reporting standards; however, they are considered material to the prospectivity of the Company's property.

The Company's properties cover the continuity of the host geology for over 30 kilometers. Work during the three-month period ended March 31, 2008, comprised of reconnaissance level geological mapping, rock chip and soil sampling. Further surface work and geophysical surveys are planned.

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. Votorantim may raise its interest to 75% by funding the Company's equity cost of the mine development on terms substantially the same as those of debt financing.

Peru

Lara Copper Project

The Lara property comprises 1,800 hectares of 100%-owned exploration licenses over a secondary copper deposit near the town of Palpa in the Coastal Range of southern Peru. It comprises a porphyry copper-molybdenum deposit, with a leached cap at surface overlying successive zones of secondary copper enrichment and primary, quartz vein stockwork mineralization (pyrite and chalcopyrite). Twenty-five drill holes were drilled in three separate programs between 1997 and 1999, comprising 2,742 meters of reverse circulation and 134 meters of diamond drilling.

During the three-month period ended March 31, 2008, the Company reported results of two vertical diamond drill holes, completed in late 2007, within the historic resource area during 2007. Hole LA-07-01 was drilled to a depth of 121.7 meters and intercepted a 20 meter interval (from 88 to 108 meters) averaging 1.2% Cu. Hole LA-07-02 was drilled to a depth of 292.1 meters and intercepted 13.7 meters (from 57.4 to 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 Company is currently seeking a joint venture partner to expand and develop the project.

Mantaro Phosphate Project

In April 2008, the Company signed a Letter of Intent with Sprott Resource Corp. ("SRC") to sell its future interest in the Mantaro Phosphate Project ("Mantaro") for approximately US\$3 million in common shares of SRC. The Company will retain its right to a 0.5% royalty on any production from Mantaro, which SRC may purchase at its election for the equivalent in cash of 0.5% of the net present value of the project upon completion of a bankable feasibility study. The proposed transaction is subject to the execution and delivery of a definitive agreement.

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 three months ended March 31, 2008, the Company reported a loss of \$511,238 or \$0.03 per share as compared to a loss of \$350,898 or \$0.02 per share in the first quarter of 2007. The increased loss is primarily due to higher exploration expenditures compared to the first quarter of 2007 as a result of increased exploration activity throughout the Company's exploration property portfolio.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2008, the Company had working capital of \$4,999,299 as compared to \$4,449,780 at December 31, 2007. The increase in working capital of approximately \$550,000 from December 31, 2007 was mainly due to proceeds from capital stock issued for cash of \$1,061,250 and interest of \$44,635; offset by exploration expenditures of \$372,407 and operating expenses of \$172,645.

All of the Company's cash and cash equivalents are held in interest bearing accounts with large financial institutions. 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 2008 fiscal year.

SUMMARY OF QUARTERLY RESULTS

	2008	2007	2007	2007
Quarter Ended	Mar. 31	Dec. 31	Sept. 30	Jun. 30
Exploration expenditures	372,407	459,165	295,720	278,376
Stock-based compensation	11,819	83,864	58,130	34,634
Loss for the period	(511,238)	(611,801)	(410,262)	(432,231)
Loss per share (Basic and Diluted)	(0.03)	(0.04)	(0.03)	(0.03)

	2007	2006	2006	2006
Quarter Ended	Mar. 31	Dec. 31	Sept. 30	Jun. 30
Exploration expenditures	243,009	300,671	372,653	145,284
Stock-based compensation	-	32,887	110,120	-
Loss for the period	(350,898)	(414,245)	(624,568)	(274,708)
Loss per share (Basic and Diluted)	(0.02)	(0.03)	(0.04)	(0.02)

The loss for the quarters varies primarily based on exploration expenditures incurred and whether stock options are granted in the quarter.

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. 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 will 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 May 22, 2008, there were 19,246,501 common shares issued. In addition, there were the following options and warrants outstanding:

- 1,590,000 stock options (1,415,000 fully-vested and exercisable) with a weighted average exercise price of \$1.15 per share and terms expiring between January 11, 2011 and October 16, 2012.
- 1,612,500 share purchase warrants with a weighted average exercise price of \$1.20 per share and terms expiring between November 17, 2008 and September 28, 2009.

SUBSEQUENT EVENTS

In April 2008, the Company signed a Letter of Intent with SRC to sell its future interest in Mantaro for approximately US\$3 million in common shares of SRC. The Company will retain its right to a 0.5% royalty on any production from Mantaro, which SRC may purchase at its election for the equivalent in

cash of 0.5% of the net present value of the project upon completion of a bankable feasibility study. The proposed transaction is subject to the execution and delivery of a definitive agreement.

In May 2008, the Company signed a Letter of Intent with SRC to form an Alliance whereby SRC will initially seed the Alliance with up to \$3,000,000 of which \$500,000 will be committed in the first year to target phosphates, potash and other fertilized feedstock minerals. The Company will own a 50% interest in the Alliance, which is not subject to dilution in the first year, and may maintain its 50% interest thereafter by equal funding with SRC.

In May 2008, the Company signed a Letter of Intent with 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. Votorantim may raise its interest to 75% by funding the Company's equity cost of the mine development on terms substantially the same as those of debt financing.

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.