

**LARA EXPLORATION LTD.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
THREE MONTHS ENDED MARCH 31, 2009**

**BACKGROUND**

This management's discussion and analysis of financial position and results of operations is prepared as at May 13, 2009, and should be read in conjunction with the unaudited interim consolidated financial statements of Lara Exploration Ltd. (the "Company" or "Lara") as at March 31, 2009 and for the three months ended March 31, 2009 and the related notes thereto. Those unaudited 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, 2008 audited 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](http://www.sedar.com) or on the Company's website [www.laraexploration.com](http://www.laraexploration.com).

**COMPANY OVERVIEW**

Lara is a prospect generator dedicated to the identification, acquisition and exploration of precious and base metal deposits and other resource opportunities in South America. The Company currently holds a portfolio of mineral properties in Brazil, Colombia 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 detailed exploration and project development. By following this strategy, Lara aims to maximize its 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 phosphate rock, potash, nickel, gold, tin, copper, iron, lead and zinc mineralization. In Peru the Company holds the Lara porphyry copper oxide deposit and continues to review acquisition opportunities, notably for gold and silver prospects. The Company also holds a substantial portfolio of phosphate exploration claims in Colombia and is actively seeking to expand its presence in the country.

Highlights for the First Quarter of 2009 include:

- Rationalization and reduction of the Company's budget and mineral rights portfolio.
- Completion of the surface exploration programs and renegotiation of the underlying option agreement on the São Lourenço Tin Project in northwest Brazil; and
- Definition of new targets on the Company's Canabrava VMS project in central Brazil.

The Company has two active joint ventures, with Votorantim Metais Zinco S.A. to explore and develop its Canabrava VMS Project in central Brazil and with Sprott Resource Corp., with a wider exploration and acquisitions mandate.

### ***Araguaia Nickel Project***

The Araguaia Nickel Project comprises 45,000 hectares of 100%-owned exploration licenses near the Carajás District, in Pará State, Northern Brazil. The target geology is mafic and ultramafic intrusions that are part of the Araguaia Ophiolite Sequence, host to several large nickel deposits in this region. To date 66 diamond drill holes and 96 auger drill holes have been completed on the project, defining significant nickel mineralization on two targets, Vila Oito and Floresta. During the period, exploration claims and licenses were relinquished to reduce the project from 310,000 to the current 45,000 hectares and focus on the main targets areas. The Company is in the process of compiling data and reviewing drill cores from the last three years work to prepare an updated National Instrument 43-101 Technical Report.

### ***São Lourenço Tin Project***

The São Lourenço Tin Project comprises an option to acquire a 100% interest in 3,500 hectares of Mining Licenses in Rondônia State, Northwest Brazil. During the period the Company completed surface exploration work that outlined a significant body of primary tin mineralization on the adjacent Isaac and Irene targets, with an average grade of 0.61 % tin. An agreement was also reached with the underlying owners of the mining rights to extend the Company's purchase option until 2012.

The Company has been sampling two granite stocks, Irene and Isaac, which stand out as hills within a wide area of past placer tin mining. Artisanal workings there have exposed a wide area of fresh and weathered (saprolite) granite that has now been systematically grid sampled with channel samples. Coarse-grained tin mineralization in the form of cassiterite (a tin oxide) is hosted by vein-like zones of alteration known as "greisens" that form a dense stock-working over most of the exposed area and extend into the meta-sedimentary country rocks. The exposed area represents only 40% of the granite hills and the known mineralization is open in all directions.

The Isaac target comprises multiple greisen zones ranging up to 500 metres in length and up to 50 metres in thickness, with an average grade of 0.54 % tin. The Irene target includes multiple zones of mineralization, with individual zones of up to 300 metres in length and up to 66 metres in thickness, with an average grade of 0.71 % tin. In outlining zones of mineralization a cut-off grade of 0.14 % tin and a minimum width of 4 metres (2 metres where the grade is over 1 % tin) was applied.

In January 2007, the Company signed an option agreement to acquire 100% of the mining rights to São Lourenço in return for staged payments of US\$73,500 over three years (US\$48,000 paid) and a one-time exercise payment of US\$1 million in January 2010. In January 2009, the Company agreed to an amendment, whereby the option was extended for an additional two years in return for interim payments of US\$100,000 (US\$15,000 paid in January 2009) and a one-time exercise payment of US\$1 million in May 2012. The Company is currently completing mineralogical and grain-size characterization studies and preparing an independent Technical Report on the project.

### ***Curionópolis IOCG Project***

The Curionópolis IOCG Project comprises 10,000 hectares of 100% owned exploration claims and licenses and an option to purchase a 100% interest in another 8,500 hectares, located in the Carajás District of Pará State, Northern Brazil. The option is subject to publication of the exploration license covering the property, which has been delayed due to a third-party appeal of the underlying title. During the period this appeal was dropped and the Company has been working with the Brazilian Department of Mines and the Ministry of Mines and Energy to complete the remaining bureaucratic steps to release the license.

### ***Canabrava VMS Project***

The Canabrava Volcanogenic Massive Sulphide ("VMS") Project comprises 28,500 hectares of 100%-owned exploration claims and licenses that cover strike extensions of four zinc-lead-copper-silver VMS

deposits in Central Brazil. Work at Canabrava is being conducted by Votorantim Metais Zinco S.A. ("Votorantim") under the terms of an option and earn-in agreement whereby Votorantim can earn an initial 55% interest in the project, by funding \$2.5 million of exploration expenditures over a three year period.

During the period Votorantim fulfilled its first-year work commitment of \$0.5 million by completing 2,870.8 line kilometres of VTEM (helicopter-borne time domain electromagnetic) geophysics. This work defined twenty-three new targets based on signatures similar to those of the known deposits in the belt. Planned follow-up comprises soil sampling grids, terrestrial geophysical surveys (magnetic and time domain electromagnetic) and detailed geological mapping over the target areas to define drill targets.

### ***Sprott Strategic Alliance***

In November 2008, the Company and Sprott Resource Corp., ("Sprott") agreed to form a strategic alliance (the "Alliance"), owned 50% each, to acquire phosphate, potash and other resource opportunities. Sprott has contributed starting capital of US\$500,000 to the new company, which has been used to acquire and evaluate phosphate and potash exploration properties in Brazil and Colombia and to evaluate acquisition opportunities. During the period the Company undertook field reconnaissance work to complete a preliminary evaluation of the Alliance phosphate properties. The Company expects to complete and report on this work in the next Quarter.

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 quarter ended March 31, 2009 the Company reported a net loss of \$425,168 or \$0.02 per common share as compared to a net loss of \$511,238 or \$0.03 per common share for the comparative period ended March 31, 2008. The decreased net loss was due to lower exploration expenditures and lower costs for shareholder information and investor relations partially offset by lower interest income. Exploration expenditures were lower in 2009 due to slightly lower activity in both Brazil and Peru. The lower costs for shareholder information and investor relations were due to reduced activity with respect to print and other media and attendance at fewer trade shows. Interest income was lower due to the significant drop in interest rates since the first quarter of 2008 and due to less cash available for investment.

## **FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

The Company's working capital position at March 31, 2009 was \$3,000,090 compared to \$3,440,000 at December 31, 2008. The decrease in working capital of \$439,910 from December 31, 2008 was due to its loss from operations and its investment in mineral properties.

All of the Company's cash and cash equivalents at March 31, 2009 are held in interest bearing accounts and highly liquid short-term interest bearing investments with maturities of 90 days or less which can be liquidated at any time without penalties. The Company has not invested in any short-term commercial paper or asset backed securities.

In addition, at March 31, 2009, the Company held common shares of Sprott Resource Corp. and CCT Capital Ltd. with a fair value of \$3,194,354.

In management's opinion, the Company has sufficient working capital to meet its administrative and exploration expenditures for the next twelve months.

## SUMMARY OF QUARTERLY RESULTS

	2009	2008	2008	2008
Quarter Ended	Mar. 31	Dec. 31	Sep. 30	Jun. 30
Exploration expenditures	\$333,845	\$255,250	\$471,281	\$272,046
Stock-based compensation	25,818	28,502	13,075	113,352
Net income (loss) for the period	(425,168)	(413,245)	(573,419)	3,908,724
Earnings (loss) (basic and diluted) per share	(0.02)	(0.02)	(0.03)	0.20

	2008	2007	2007	2007
Quarter Ended	Mar. 31	Dec. 31	Sep. 30	Jun. 30
Exploration expenditures	\$372,407	\$459,165	\$295,720	\$278,376
Stock-based compensation	11,820	83,864	58,130	34,634
Net 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)

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

For the quarter ended March 31, 2009, exploration expenditures were higher than in the previous quarter but the net loss was close to the December quarter due to the write-off of capitalized mineral property costs in December. There was no corresponding write-off of mineral properties in the March 2009 quarter.

## OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

## 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.

The Company has completed a scoping study which identifies the mandatory and optional exemptions from retrospective application of IFRS accounting policies and provides a comparison of the Company's current accounting policies with those prescribed under IFRS. The Company is reviewing and assessing this information but has not determined the impact on the consolidated financial statements at this time.

## **Business Combinations, Consolidated Financial Statements and Non-Controlling Interest**

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards ("IAS") 27, Consolidated and Separate Financial Statements (January 2008).

Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently.

These new sections effectively bring Canadian GAAP into line with IFRS. The Company does not expect to adopt these new CICA Handbook sections prior to January 1, 2011. At that point, the Company will begin reporting its financial results under IFRS and therefore does not expect that these new Handbook sections will have any impact on the Company's financial statements in the interim period.

## **TRANSACTIONS WITH RELATED PARTIES**

During the quarter ended March 31, 2009 Lara paid \$46,800 (2008 - \$Nil) to a management company controlled by a director, for office space and administrative services. At March 31, 2009, Lara was indebted to the management company in the amount of \$Nil (2008 - \$Nil). These transactions were in the normal course of operations and are measured at the exchange amount which is the amount established and agreed to by the related parties. All balances due to related parties are included in accounts payable and accrued liabilities.

## **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 13, 2009, there were 19,246,501 common shares issued. In addition, there were the following options and warrants outstanding:

- 1,845,000 stock options (1,615,000 fully-vested) with a weighted average exercise price of \$1.06 per share and terms expiring between January 11, 2011 and October 29, 2013.
- 1,597,500 share purchase warrants with an exercise price of \$1.20 and an expiry date of September 28, 2009.

## **FORWARD LOOKING INFORMATION**

This MD&A may contain "forward looking statements" that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause Lara's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and factors may include, but are not limited to: unavailability of financing, failure to identify commercially viable mineral reserves, fluctuations in the market valuation for commodities, difficulties in obtaining required approvals for the development of a mineral project and other factors.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.