

**LARA EXPLORATION LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE AND SIX MONTHS ENDED JUNE 30, 2007**

BACKGROUND

This management's discussion and analysis of financial position and results of operations is prepared as at August 20, 2007, and should be read in conjunction with the unaudited interim consolidated financial statements for the three and six months ended June 30, 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.laraexplortaion.com.

COMPANY OVERVIEW

Lara Exploration is a 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 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 holds the Lara Copper Oxide Deposit in Peru and a large portfolio of mineral properties in northern Brazil, with on-going exploration programs for nickel, gold, tin and copper mineralization. During the three months ended June 30, 2007, the Company was active on the following projects:

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 (Pará State, Northern Brazil). During the three months ended June 30, 2007, the Company undertook fieldwork on the 25 top priority nickel targets that were generated from re-processing airborne geophysical data acquired from Xstrata plc. These targets are generally covered by young sediments and laterite and had not been identified in Lara's fieldwork in 2006. Results have outlined a number of the targets that warrant drill testing and a partner is being sought to fund this through a joint venture.

Campos Verdes Gold Project

This project comprises 26,000 hectares of gold and copper exploration licenses in the Brasília Belt in Goiás State, Central Brazil; twenty-five kilometers west of the Chapada gold mine owned by Yamana Gold Inc. During the period, Lara undertook surface work and acquired additional claims, while completing the Property Option and Joint Venture Agreement with CCT Capital Ltd., signed on February 27, 2007. The TSX Venture Exchange has approved the agreement subsequently and preparations have begun to resume surface sampling, geophysics and drilling in the second half of 2007.

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, Northwest Brazil. Lara has completed surface work and reinterpretation of historical drilling to define new targets and is seeking a joint venture partner to fund drilling. During the period a number of companies reviewed data and made site visits.

São Lourenço Tin Project

The São Lourenço project comprises an option to acquire 3,549 hectares of mining licenses over the mothballed São Lourenço tin mine in Rondônia State, Northwest Brazil. Reconnaissance work continues to identify and map primary tin mineralization within the area of previously mined alluvials (river gravels). The Company plans to follow up this work with geophysics and systematic sampling.

Tapajós Gold-Copper Project

The Tapajós project comprises a joint venture to explore for intrusion-related gold and copper deposits in the Tapajós District of Pará State, northern Brazil. Under terms of a Letter of Intent signed on April 19, 2007, the Company will provide US\$ 300,000 of seed funding for 50% of the new joint venture company T'Gold Mineração Ltda ("T'Gold") that will initially own 44,800 hectares of exploration claims covering old surface gold workings ("garimpos") at Santa Felicidade, Santa Cecilia, Castelo, Colibri (Beija-Flor), Caic-1 and Caic-2. The Santa Felicidade, Santa Cecilia, Castelo and Colibri claims are

subject to a 1.5% NSR royalty, half of which (0.75%) may be purchased by T'Gold for US\$750,000.

The Company completed legal due-diligence during the period and in July field teams began exploration work at Santa Felicidade where selected grab samples returned up to 11 grams per tonne of gold from quartz vein material with pyrite in a sheared granite-porphry. Fieldwork will comprise channel sampling of old workings and soil sampling over the Santa Felicidade target and reconnaissance work in other areas. The Company also plans to acquire additional licenses in the coming months.

Lara Oxide Copper Project

The Lara project comprises 1,800 hectares of exploration licenses over a copper oxide deposit near the town of Nazca, southwest Peru. The project is the subject of an earn-in agreement whereby Solid Resources Ltd. ("Solid") may earn up to a 75% interest by funding exploration, delivering a bankable feasibility study and making staged payments to the Company. Solid is obliged to drill a minimum of 1,500 meters on the property by October 2, 2007 to keep the agreement in good standing. In June 2007, Solid mobilized a geologist to site and hired a bulldozer to clear access and prepare drill sites.

RESULTS OF OPERATIONS

For the three months ended June 30, 2007, the Company reported a loss of \$432,231 as compared to a loss of \$247,708 in the second quarter of 2006. The increase is due mainly to increased exploration expenses of \$278,376 compared to \$145,284 in the prior year as a result of increased activity.

Office, rent and administrative services for the three months ended June 30, 2007 increased to \$69,249 from \$45,710 as the current period includes an amount for stock option expense of \$34,634.

Shareholder information and investor relations for the three months ended June 30, 2007 increased to \$30,721 from \$3,467 due to increased investor relations activity.

For the six months ended June 30, 2007, the Company reported a loss of \$783,129 as compared to a loss of \$1,172,884. The decrease is due mainly to the recognition of stock option expense of \$34,634 compared to \$486,429 in the prior year on granting of stock options to directors, officers, consultants and administrative staff. Stock option expense of \$128,485, \$123,459, \$41,758 and \$192,727 was allocated to directors' remuneration, management fees, consultants and office, rent and administrative services respectively.

Professional fees, transfer agent and filing fees and travel related costs for the six months ended June 30, 2007 decreased from \$107,828 from \$232,359 in the same period in the prior year due to the cost incurred in the prior year associated with the acquisition of Pan Brazilian Mineração Ltda.

Exploration expenses for the six months ended June 30, 2007 increased to \$509,777 from \$267,295 in the prior year due to increased exploration in Brazil as the Company continues to build a portfolio of projects. 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.

Interest income increased to \$76,349 for the six months ended June 30, 2007 from \$46,346 in the prior period due to higher cash balances in the first quarter of 2007 than in the similar period in the prior year.

SUMMARY OF QUARTERLY RESULTS

	2007		2006	
Quarter Ended	Jun. 30	Mar. 31	Dec. 31 (1)	Sept. 30 (1)
Operating Expenditures	178,305	\$ 154,862	279,687	264,722
Loss for the period	(432,231)	(350,898)	(521,503)	(624,568)
Loss per Share (Basic and Diluted)	(0.03)	(0.02)	(0.03)	(0.03)

	2006		2005	
Quarter Ended	Jun. 30 (1)	Mar. 31 (1)	Dec. 31	Sept. 30
Operating Expenditures	165,103	\$ 786,832	57,748	14,144
Loss for the period	(274,708)	(898,176)	(59,506)	(13,273)
Loss per Share (Basic and Diluted)	(0.01)	(0.07)	(0.01)	(0.01)

(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.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended June 30, 2007, the Company had working capital of \$3,757,435 as compared to \$3,937,131 at March 31, 2007

The decrease in working capital is a result of the loss from operations, which is partially offset by the exercise of 45,000 stock options and 285,000 warrants totaling \$231,750.

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

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. 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 and six months ended June 30, 2007. The loss per share increased by \$0.01 for the three and six months ended June 30, 2007 (2006 – increased the loss per share by \$0.01 for both periods).

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 Capital Corp. (“Quest”), 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 six months ended June 30, 2007, Quest charged the Company \$9,066 for office rent and supplies. The Company has had an outstanding payable of \$1,380 to Quest at June 30, 2007.

SUBSEQUENT EVENTS

In July 2007, the Company signed an option to acquire the mineral rights over the Concord 1 and Concord 2 (“Concord”) kimberlite pipes in Rondônia State, Northwest Brazil. Under the terms of the Option Agreement, the Company may acquire 100% of the Concord property for \$230,000 and a 1% production royalty. The Company has the option to purchase the royalty at a time of its choosing for the sum of US\$500,000.

In August 2007, the TSX Venture Exchange approved the mineral Property Option and Joint Venture Agreement signed between the Company and CCT Capital Ltd. (“CCT”) in March 2007. CCT can earn a 70% interest in Lara’s Campos Verdes Gold Property by spending US\$2 million on exploration by February 27, 2010.

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.

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 August 20, 2007, there were 15,579,001 common shares issued. In addition, there were the following options and warrants outstanding:

- 1,340,000 stock options (1,290,000 fully-vested) with a weighted average exercise price of \$1.14 per share and terms expiring between January 11, 2011 and May 14, 2012.
- 2,945,000 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 1,200,001 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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There has been no change in the Company's internal control over financial reporting during the Company's quarter ended June 30, 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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.