

**LARA EXPLORATION LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX MONTHS ENDED JUNE 30, 2010**

BACKGROUND

This management's discussion and analysis of financial position and results of operations is prepared as at August 20, 2010 and should be read in conjunction with the unaudited interim consolidated financial statements of Lara Exploration Ltd. (the "Company" or "Lara") as at June 30, 2010 and for the six months ended June 30, 2010 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, 2009 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 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.

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.

COMPANY OVERVIEW

Lara is a prospect generator dedicated to the identification, acquisition and exploration for precious and base metal deposits and other resource opportunities in South America. The Company currently holds a portfolio of projects in Brazil, Peru and Colombia, with a strategy to seek partners through joint ventures to fund exploration and project development. Through the acquisition of Maxy Gold Corp., Lara now holds two joint venture properties in China. Lara aims to maximize its discovery opportunities, while minimizing its funding requirements and risk.

EXPLORATION REVIEW

During the period, the Company was engaged in a successful diamond-drilling program on the Curionópolis Iron Project with joint venture partner Vertical Mineração Ltda., ("Vertical") in Brazil. In Peru the Company has been

working diligently to get permits to drill the Lara Copper Project on behalf of joint venture partner Redzone Resources Ltd., (“Redzone”), while our partner Consorcio Minero Horizonte S.A. (“Horizonte”), has been doing the same for the Corina Gold Project. On the generative front, efforts have been focused on evaluating the large and highly prospective property portfolio in Peru that came with the Maxy Gold Corp., (“Maxy”) transaction and with the continued development of its portfolio in Brazil.

Highlights for Q2-2010 include:

- High-grade iron ore intercepted in diamond drilling at Curionópolis Iron Project in Brazil by JV partner Vertical Mineração Ltda (“Vertical”).
- High-sulphidation epithermal target with anomalous gold and silver values outlined at the Company’s Grace Project in Peru.
- Two extensive copper-gold targets outlined at the Company’s Curionópolis IOCG Project in Brazil.
- Option Agreement signed with Consorcio Minero Horizonte S.A. to advance the Corina Gold Project in Peru.
- Title transfer completed under the Option Agreement with Talon Metals Corp. (“Talon”) allowing start of the technical studies to advance the Sergipe Potash Project.

As at the end of the Quarter, the Company had active joint ventures: with Redzone on the Lara and Tingo Este Copper Projects and with Horizonte on the Corina Gold Project in Peru; with Votorantim Metais Zinco S.A. (“Votorantim”) to explore and develop its Canabrava VMS Project in central Brazil; with Talon to explore the Sergipe Potash Project in Brazil; with Vertical to develop the iron ore resources at Curionópolis in northern Brazil; and the Midu and Huangnan joint ventures in China acquired through Maxy.

During the period, the Company maintained an active field team in Brazil working on existing projects and prospecting for new areas and two field teams in Peru reviewing the mineral properties acquired through the Maxy transaction in late 2009. In Colombia the Company, through its joint venture with Geotec Ltda., has continued exploration of the Boyacá Phosphate Project and evaluated the newly Quetame uranium prospect.

Brazil Projects

Curionópolis IOCG Project

The Company’s 100%-owned Curionópolis IOCG Property (“iron oxide copper gold”) covers 16,452 hectares and is located in the prolific Carajás District in northern Brazil, approximately 10 kilometres south of the Serra Pelada gold project being developed by Colossus Minerals Ltd. During the period, the Company reported results of reconnaissance work by its field teams, which has outlined two extensive copper-gold targets denominated Osmar and Chico.

The Company has now completed stream sediment sampling throughout the property, identifying several high priority gold and copper anomalies in -80# sediment samples, with the Chico Target to the northwest of the town of Curionópolis reporting the best results, 443 parts per billion gold (“ppb Au”), 733 parts per million copper (“ppm Cu”) with anomalous bismuth (max. 84 ppm), molybdenum (max. 24 ppm) and tungsten (max. 23 ppm). The Osmar target, with known small-scale copper workings, showed higher gold values with a maximum of 2,945 ppb Au but copper results were somewhat lower with a maximum of 154 ppm Cu from stream sediment sampling.

Lara’s geologists have so far completed follow-up soil sampling and rock chip sampling over an area of approximately four kilometres by three kilometres on the Chico target zone, identifying more than twelve north-west or north-northeast oriented, sub-vertical auriferous quartz-iron-oxide veins and breccias dominated by

hematite and magnetite. The rock chip sampling indicates that veins on this trend are gold-rich with anomalous values of copper, silver, molybdenum and locally tin. Individual veins vary from a few tens of meters to several hundred meters in strike length and locally form a sheeted vein system. To date only reconnaissance rock chip sampling has been completed, with the best result of 8.6 g/t Au over 2.5 metres from the main Chico working. Rock chip grab samples from veins and rock dumps at other current and abandoned small-scale workings indicate gold values up to a maximum of 24.78 ppm Au. Vein textures are suggestive of a high-level epithermal vein emplacement.

On the two kilometre long Osmar target, located to the west of Curionópolis, ten north- or northeast orientated breccia veins with oxidized copper and gold mineralization have been identified and many are being partially exploited on a small-scale by artisanal miners (“garimpeiros”). Orientation -80# soil gridding has been carried out with the best soil values of 10,000 ppm Cu and 406 ppb Au. Copper and gold soil anomaly zones are generally co-incident and many of the highest values are closely related to the presence of known copper veins. The copper-in-soil anomalies generally show a greater aerial extent than for gold. The best rock chip sample, taken from one of the exposed veins with secondary copper mineralization reported 1,576 ppb Au and 18.9 % Cu. Soil sampling has also identified further anomalous copper zones 2 kilometres to the west and to the southwest of the Osmar target.

The mineralization identified at Curionópolis is IOCG-type, typical of the Carajás District. Gold and copper values are accompanied by anomalous arsenic, silver, bismuth, tungsten, molybdenum and uranium. Geology of the target areas are metamorphosed volcano-sedimentary sequences with wide-spread magnetite and actinolite veining, as well as, pervasive actinolite, albite and scapolite alteration that is also typical of IOCG systems.

Curionópolis Iron Project

The Curionópolis Iron Project comprises a 1,365-hectare area, covering banded-massive iron formations within the Company’s Curionópolis IOCG Project. This property has been ceded to Vertical, a special purpose company owned by a group of Brazilian iron producers, under an option agreement whereby Vertical will make cash payments totaling US\$1.4 million over two years, incur US\$3.0 million in exploration expenditures over a three year period and pay Lara a \$1.5 to \$2/tonne for any granular iron-ore production.

The Company and Vertical have now completed 17 diamond drillholes, testing an approximately one-kilometre section of the Serra Morena Target. Results of the first 7 holes were reported in the last Quarter. Results from ten new holes were received this period, all of which reported significant iron mineralization from x-ray fluorescence analyses, with drillhole intervals ranging from 53.81 to 168.4 metres in length returning average iron grades of between 36.41% and 65.51% Fe. The best intercept is 166.5 metres at an average grade of 62.62% iron with low impurities (silica, aluminum and phosphorous). Results of all the drillholes completed to date are summarized in Table 1 below:

Table 1. - Drill Intercepts - Serra Morena				
Drillhole	From (m)	To (m)	Interval (m)	Grade Fe (%)
FD-0001	0.00	10.00	10.00	58.95
	29.00	59.00	30.00	48.63
FD-0002	0.00	39.00	39.00	62.16
FD-0003	0.00	86.70	86.70	61.63
FD-0004	0.00	37.13	37.13	60.08
FD-0005	0.00	16.50	16.50	55.44
FD-0006	Hole abandoned due to drilling problems			
FD-0007	0.00	6.66	6.66	51.76
FD-0008	0.00	25.00	25.00	58.97
FD-0009	0.00	131.70	131.70	65.51
FD-0010	0.00	123.00	123.00	63.83
FD-0011	0.00	166.50	166.50	62.62
FD-0012	0.00	168.40	168.40	46.17
FD-0013	0.00	100.00	100.00	36.41
FD-0014	0.00	90.00	90.00	53.18
FD-0015	0.00	136.35	136.35	37.60
FD-0016	0.00	100.00	100.00	63.50
FD-0017	0.00	70.00	70.00	45.38
FD-0018	0.00	53.81	53.81	61.55

The drillholes were angled at between 60 and 90 (vertical) degrees, testing a 50 to 300 metre wide zone of partially exposed, steeply dipping and strongly folded iron formations that comprise a mixed sequence of massive high-grade hematite and lower-grade siliceous iron formations (“itabirites”). Mapping and surface sampling indicate that the iron formations extend for over 10 kilometres within the property and work is underway to both extend the Serra Morena Target and to test other sections of the trend, where reconnaissance mapping and surface chip sampling has identified exposures of massive hematite.

Canabrava VMS Project

The Canabrava Volcanogenic Massive Sulphide (“VMS”) Project comprises 52,414 hectares of 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 by May 12, 2011. Votorantim completed 2,870.8 line kilometers of VTEM (helicopter-borne time domain electromagnetic) geophysics in 2008, which defined twenty-three new targets based on signatures similar to those of the known deposits in the belt. During the period, Votorantim completed follow-up soil geochemistry and terrestrial geophysical surveys to prioritize and define drill targets.

Sergipe Potash Project

The Sergipe Potash Project comprises 21,689 hectares of exploration licenses and claims in Sergipe State, northeast Brazil. The properties are adjacent to and cover the extensions of the potash-bearing sedimentary basins of Vale’s Taquari-Vassouras mine, which produced 607,000 tons of potash in 2008. These sedimentary basins have been explored extensively for oil and gas in the past and a database of seismic surveys and exploration drilling is available through the Brazilian National Petroleum Agency (“ANP”).

During the period, the Company completed transfer of the licenses comprising its Sergipe Potash Project to a new joint venture company created with Talon Metals Corp. (“Talon”) and has received the second installment of US\$50,000 (US\$100,000 received to date). A total cash consideration of US\$500,000 is to be paid by Talon over four years under the terms of the option agreement for Talon’s 75% interest. The Company has also been informed by Talon that exploration work has begun on the properties, the first phase of which will comprise the acquisition and reinterpretation of the geophysical (2D and 3D seismic) and drilling data generated from historical oil and gas exploration in the basin. Under the terms of the Agreement, Talon must undertake a minimum US\$4 million in exploration work programs over four years and deliver a Resource Report on the Project by late 2014.

Peru Projects

Lara Copper Project

The 1,800-hectare Lara Copper Project in the Southern Peruvian Coastal Belt covers two porphyry copper-molybdenum targets known as Lara and Socos. In total, 27 drill holes representing 3,290 metres have been drilled to date on the Project, testing a roughly 500-meter by 500-meter portion of the Lara target, but Socos remains untested.

Under an agreement signed earlier in the year, Redzone may earn an initial 55% interest in the Lara Copper Project and the nearby Tingo Este Copper Project by spending US\$2.5 million on exploration and issuing 850,000 common shares of Redzone to Lara over a three-year term. Redzone may then elect to earn an additional 20% interest in the Project by completing a bankable feasibility study and making a one-time cash payment to Lara of US\$1.5 million on or before January 28, 2015. Lara retains a 1% net smelter royalty on all production from the Project.

Based on the existing surface and drill data there is excellent potential for discovery of additional copper mineralization at the Lara Copper Project and the Company is currently engaged on behalf of Redzone in permitting for further diamond drilling.

Corina Gold Project

The Corina Gold Project is located in the districts of Juan Espinoza Medrano and Cotaruse, province of Antabamba, department of Apurimac, of southern Peru, with a total approximate area of 12,669 hectares. During the period, the Company completed an Option Agreement whereby Horizonte may acquire up to an 80% interest in the Project by paying US\$700,000 in cash, completing US\$8,500,000 of exploration and feasibility work and paying a sliding-scale royalty to the Company. Horizonte is a privately owned Peruvian gold producer.

Reconnaissance work by the Company has previously outlined an extensive package of the Tertiary-age volcanics that are host to many low and high sulphidation gold deposits in the region, e.g. Liam, Selene, Pallancata and Antapite. An exposed low sulphidation epithermal vein (denominated Promesa) has been mapped over 4.5 kilometers, with rock chip gold values reporting up to 6.7 g/t Au. The structure that is host to the Promesa vein cuts dacite and rhyolite pyroclastics and a rhyolite dome, extending eastward into the basal sedimentary sequence made up of brecciated and mineralized sandstones. The structure shows high potential for exploration both laterally and at depth due to very little erosion and Horizonte is currently engaged in the permitting necessary for a diamond drill program.

Grace Gold Project

The Company’s 100% owned Grace Gold Project is 4,800 hectares in size, located in the Ayacucho District of southern Peru. The property covers Tertiary-age andesitic volcanoclastics (lapilli tuffs), cut by brecciated silica bodies and veins with wide quartz alunite and granular silica halos, indicative of a well-preserved high-sulphidation epithermal system. The property also hosts widespread argillic alteration with patches and disseminated pyrite.

Reconnaissance work by the Company's field teams outlined extensive high-sulphidation epithermal alteration with anomalous gold and silver values, related to northwest-southeast oriented faulting that is also host to the past-producing Vicuña gold mine (15 kilometres to the northwest) and contiguous with ground held by Minera Andina de Exploraciones S.A.C. where the Apumayo Target (3 kilometres to the south) is currently being drilled.

The newly mapped high sulphidation epithermal anomaly at Grace is roughly boot-shaped, extending approximately 6.0 kilometres in length by 1 to 1.5 kilometres in width between the Leon Cañana and Piruroyoc peaks, at an altitude between 3,900 and 4,200 metres. Individual silica bodies are up to 1,000 metres in length and up to 200 metres in thick. To date 62 rock chip samples have been collected from the anomaly area and analyzed, 9 of which returned anomalous gold values ranging between 50 and 275 parts per billion ("ppb") and 8 returned silver values between 0.7 and 7.5 parts per million ("ppm"). The alteration is also anomalous in arsenic (14 samples between 798 and 5,122 ppm), mercury (20 samples between 1.16 and 12.1 ppm) and antimony (8 samples between 57 and 620 ppm).

Colombia Projects

Boyacá Phosphate Project

The Boyacá Phosphate Project is owned 70% by Lara and comprises approximately 80,000 hectares of exploration claims, covering a series of high-grade phosphate beds in the Cretaceous sedimentary sequences of the Central Colombian Andes. There are three main phosphate-bearing units within the sequence, which are mined on a small-scale in the region to produce 25-35% P₂O₅ direct-shipping phosphate rock, which is milled and consumed locally as fertilizer. The Boyacá claim blocks, denominated Tasco, Tota, Iza and Nueva Colon, cover synclinal and anticlinal fold structures, where the mineralized units are repeated and can be traced at surface for many kilometers.

Work during the period focused detailed mapping and stratigraphy of the Balcones Syncline where the Company has mapped a series of phosphate rock beds, which are potentially amenable to open pit and near-surface underground mining on a commercial scale.

Qualified Persons

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.

Andre Gauthier, Lara's President and a member of the Quebec Order of Engineers, 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 regarding the Company's projects in Peru and China.

RESULTS OF OPERATIONS

Quarter Ended June 30, 2010

For the quarter ended June 30, 2010 the Company reported a loss of \$1,065,530 or \$0.04 per common share as compared to a loss of \$398,357 or \$0.02 per common share for the comparative period ended June 30, 2009. The loss was higher due to higher exploration expenses and increased costs for general and administrative expenses. The higher exploration costs were mainly due to increased activity in Peru as the Company continued exploration work on the Maxy properties which were part of the Maxy acquisition in December of 2009. Administrative costs were higher due to stock-based compensation, management fees and travel. Management fees were higher due to fees paid to the new President. Travel costs were higher due to the President's heavy travel schedule. These higher costs were partially offset by other income which included revenue from option payments.

Six Months Ended June 30, 2010

For the six months ended June 30, 2010 the Company reported a loss of \$1,819,693 or \$0.07 per common share as compared to a loss of \$823,525 or \$0.04 per common share for the comparative period ended June 30, 2009. The loss was higher than in the prior year for the same reasons as noted above for the quarterly loss.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital position at June 30, 2010 was \$866,698 compared to \$2,240,140 at December 31, 2009. The decrease in working capital of \$1,373,441 from December 31, 2009 was due to its loss from operations.

All of the Company's cash and cash equivalents at June 30, 2010 are held in interest bearing accounts and highly liquid short-term interest bearing investments which can be converted to cash after thirty days without penalties. The Company has not invested in any short-term commercial paper or asset backed securities. In addition, at June 30, 2010 the Company held common shares of Sprott Resource Corp. and CCT Capital Ltd. with a fair value of \$4,692,253. These investments can be liquidated when necessary in order to provide additional funding for ongoing operations. In management's opinion, the Company has sufficient working capital and capital resources to meet its administrative and exploration expenditures for the next twelve months.

SUMMARY OF QUARTERLY RESULTS

	2010	2009	2009	2009
Quarter Ended	Jun. 30	Mar. 31	Dec. 31	Sep. 30
Exploration expenditures	489,760	430,587	305,828	\$279,807
Stock-based compensation	380,567	-	-	-
Net loss for the period	(1,065,530)	(754,163)	(415,477)	(337,955)
Loss per share (basic and diluted)	(0.04)	(0.03)	(0.02)	(0.02)

	2009	2009	2008	2008
Quarter Ended	Jun. 30	Mar. 31	Dec. 31	Sep. 30
Exploration expenditures	\$237,800	\$333,845	\$255,250	\$471,281
Stock-based compensation	42,046	25,818	28,502	13,075
Net loss for the period	(398,357)	(425,168)	(413,245)	(573,419)
Loss per share (basic and diluted)	(0.02)	(0.02)	(0.02)	(0.03)

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

For the quarter ended June 30, 2010 the loss was higher than in the prior quarter due to stock-based compensation partially offset by increased other income which included option payments.

For the quarter ended March 31, 2010 the loss was higher than in the prior quarter due to higher exploration expenses and higher general and administrative costs. The reasons for the increased costs are due to additional exploration activity and administrative costs as a result of acquiring Maxy Gold Corp.

For the quarter ended December 31, 2009, the loss was higher than in the prior quarter due to slightly higher costs for exploration, professional fees and administrative services.

For the quarter ended September 30, 2009, the loss was lower than for the prior quarter due to slightly lower expenditures for several general and administrative expenses and due to lower stock-based compensation expense partially offset by higher exploration expenditures.

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

Business Combinations and Related Sections

CICA Handbook Section 1582, "Business Combinations", Section 1601 "Consolidations" and Section 1602, "Non-Controlling Interests", replace Sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements" respectively and establish a new section for accounting for a non-controlling interest in a subsidiary. The new standards revise guidance on the determination of the carrying amount of assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. These standards are effective January 1, 2011 prospectively, with early adoption permitted. 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.

Convergence with International Financial Reporting Standards ("IFRS")

As disclosed in the year-end MD&A, Lara has made significant progress with respect to its transition to IFRS. The Company has completed the following steps:

- Determined the functional currencies for each of its reporting entities
- Determined the majority of its IFRS accounting policies
- Chosen which of the optional exemptions that it will take on the initial transition to IFRS
- Determined that only minor changes to internal controls and disclosure controls will be required in order to implement IFRS.

The Company is currently working on and expects to complete the following steps by the end of the third quarter:

- Documentation of the remainder of its IFRS accounting policies
- Preparation of a draft transition balance sheet as at January 1, 2010
- Preparation of draft note disclosures for equipment, mineral properties and shareholders' equity

RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2010 the Company paid \$99,600 (2009 - \$107,990) to Seabord Services Corp. ("Seabord"), a management company controlled by a director, for administrative services which include: a chief financial officer, a corporate secretary, accounting staff and office space. At June 30, 2010, Lara had deposits for future services with Seabord amounting to \$10,000. In June 2010, Lara made an option payment of US\$115,000 to Redrock, a company controlled by the CEO, with respect to the Curionopolis property. 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. As at June 30, 2010 the Company had a balance owing to Inca Pacific Resources Inc. of \$6,171 (2009 - \$Nil). Inca Pacific is related to Lara by having two directors in common. All balances due to related parties are included in accounts payable and accrued liabilities. As at June 30, 2010, Lara had an account receivable with Reservoir Capital Corp. ("Reservoir") in the amount of \$12,420 (2009 - \$Nil). Reservoir is related to Lara by having two directors in common.

MANAGEMENT COMPENSATION

During the six months ended June 30, 2010 Lara paid or accrued: \$48,000 in salary to the CEO, Miles Thompson, \$42,000 to a company controlled by the President, Andre Gauthier and \$59,500 in salary to a company controlled by the Vice-President Exploration, Michael Bennell. No other directors or officers received salary or consulting fees for their services in this period. David Miles, the chief financial officer and Kim Casswell, the corporate secretary are employees of Seabord and received no management compensation directly from Lara.

RISKS AND UNCERTAINTIES

Mineral Property Exploration and Mining Risks

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: ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing and obtaining permits for drilling and other exploration activities.

Lara is currently earning an interest in certain of its 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-off the previously capitalized costs related to that property.

Commodity Price Risk

Lara is exposed to commodity price risk. Declines in the market prices of gold, base metals and other minerals may adversely affect Lara's ability to raise capital or attract joint venture partners in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of one of its mineral properties to a third party.

Financing and Share Price Fluctuation Risks

Lara has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects which could result in the loss of one or more of its properties.

Recently, the securities markets have experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies such as Lara, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on Lara's ability to raise additional funds through equity issues.

Political and Currency Risks

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. Therefore a weakening of the Canadian dollar against the Brazilian real or Peruvian sole could have an adverse impact on the amount of exploration conducted.

Insured and Uninsured Risks

In the course of exploration, development and production of mineral properties, the Company is subject to a number of risks and hazards in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in the damage to the Company's property or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Some 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.

Environmental Risks and Hazards

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect Lara's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present.

Competition

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.

OUTSTANDING SHARE DATA

As at August 20, 2010 there were 24,905,072 common shares issued and outstanding. In addition, there were 2,479,375 fully vested stock options outstanding with a weighted average exercise price of \$0.91 per share and terms expiring between January 11, 2011 and May 27, 2015.