



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
NINE MONTHS ENDED SEPTEMBER 30, 2010**

**BACKGROUND**

This management's discussion and analysis of financial position and results of operations is prepared as at November 18, 2010 and should be read in conjunction with the unaudited interim consolidated financial statements of Lara Exploration Ltd. (the "Company" or "Lara") as at September 30, 2010 and for the nine months ended September 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](http://www.sedar.com) or on the Company's website [www.laraexploration.com](http://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. Lara aims to maximize its discovery opportunities, while minimizing its funding requirements and risk.

## **EXPLORATION REVIEW**

The Company completed four new deals in recent months and now has eight active joint ventures, all of which should see drilling over the next six-twelve months.

### **Highlights for Q3-2010 include:**

- Earn-in Agreements signed with Codelco do Brasil Mineração Ltda., (“Codelco”) on the Company’s Curionópolis and Liberdade IOCG (copper-gold) projects in the Carajás District of northern Brazil.
- Earn-in Agreement signed with Avanco Resources Ltd, (“Avanco”) on the Company’s Conceição Nickel Sulphide Project (part of the Araguaia Nickel Project).
- Earn-in Agreement with Votorantim Metais de Zinco S.A., (“Votorantim”) on the Company’s Canabrava VMS Project in central Brazil, extended by one year. 1,500-metre drill program planned for H1-2011.
- New targets identified on the Picha Copper-Silver Project and the Lampa Gold Project in Peru.
- Drilling permits received for the Lara Copper Project in Peru.
- Completed exploration expenditures of approximately \$660,000 with about two-thirds of that total being spent in Peru and one-third in Brazil.

During the period, the Company maintained active field teams in both Peru and Brazil working on existing projects and prospecting for new areas. In Colombia the Company, through its joint venture with Geotec Ltda., has continued exploration of the Boyacá Phosphate Project.

### **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.

Subsequent to the end of the period, the Company completed an Agreement with Codelco to earn up to a 75% interest in the project. Under the terms of the Agreement, Codelco may earn an initial 51% interest in the Curionópolis property by investing US\$3.8 million in exploration over a four-year period, of which the first US\$400,000 is committed, and by assuming responsibility for the remaining option payments due to the underlying owner of part of the property. Codelco may then elect to earn a further 9% interest (60% total) in the property by sole-funding such additional exploration works as are necessary to define a minimum resource of at least 500,000 tons of copper equivalent, independently reported under National Instrument 43-101 guidelines. Codelco may then elect to earn a further 15% interest (75% total) in the property by sole-funding such additional exploration and development works as are necessary to complete a bankable feasibility study on the Project. The agreement is subject to a 90-day due-diligence period which ends on December 31, 2010.

To date the Company’s field teams have outlined two extensive copper-gold targets (Osmar and Chico). The mineralization identified is IOCG-type (iron oxide copper gold), 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. The property includes the copper-gold rights to the 1,365-hectare area ceded to Vertical for iron ore mining.

### ***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 assigned 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 \$1.50 to \$2/tonne for any granular iron-ore production.

The Company and Vertical have now completed 17 diamond drill holes, testing an approximately one-kilometre section of the Serra Morena Target, all of which reported significant iron mineralization from x-ray fluorescence analyses, with drill hole intervals ranging from 53.81 to 168.4 metres in length returning 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). During the period the Company and Vertical completed mapping of another three grid areas and initiated a program of trenching and bulk sampling (from pits) to assess the potential of the deposit.

### ***Liberdade Copper Project***

The Company's Liberdade Copper Project comprises a single exploration license covering 6,969 hectares in area, located in the Municipality of São Felix do Xingu, Pará State, at the western end of the Carajás District. The geology comprises Proterozoic-age volcano-sedimentary sequences of the Aquiri Group and related calc-alkaline intrusives, with evidence of iron-oxide-copper-gold ("IOCG") alteration and mineralization seen in small-scale "garimpeiro" surface workings. Exploration work to date has comprised reconnaissance level mapping and sampling that has identified extensive alteration and anomalous copper values.

Subsequent to the end of the period, the Company completed an Agreement with Codelco to earn up to a 75% interest in the project. Under the terms of the Agreement, Codelco may earn an initial 51% interest in the property by investing US\$3 million in exploration over a four-year period, with a minimum expenditure of US\$400,000 in year one, of which US\$300,000 is a work commitment. Codelco may then elect to earn a further 24% interest in the property by sole-funding such additional exploration works as are necessary to define a minimum resource of at least 500,000 tons of copper equivalent, independently reported under National Instrument 43-101 guidelines.

### ***Conceição Nickel Sulphide Project***

Subsequent to the end of the period, the Company signed a Letter of Intent ("LOI") whereby Avanco may fund nickel sulphide exploration in order to earn a 75% interest in the Company's Conceição License Block (part of the Araguaia Nickel Project), in northern Brazil. Under the terms of the LOI, Avanco may earn a 75% interest in any of licenses comprising the Conceição License Block by completing surface sampling and 1,500 metres of drilling within one year of renewal of the exploration licenses. They must then also complete sufficient exploration work to generate a JORC (Australasian Joint Ore Reserves Committee) compliant resource with sufficient drill data and metallurgical test work necessary for the Brazilian Department of Mines to approve the Final Exploration Report within 36 months. The LOI is subject to the completion of a Definitive Agreement within 90 days.

The Conceição License Block includes seven exploration licenses, covering a total of 47,247 hectares, located to the northwest of the town of Conceição de Araguaia in Pará State. Geophysical data from airborne magnetic and electro-magnetic surveys and from field mapping show the property to cover a series of parallel NW-trending mafic intrusive bodies. Occurrences of nickel and copper sulphide-bearing gabbros and pyroxenites have been sampled, returning copper and nickel values in the order of several thousand parts per million and limited geochemical work indicates that these have low but still highly anomalous platinum and palladium values of a few hundred parts per billion.

### ***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 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 the Company agreed to extend by one year, to May 16, 2012, the Votorantim option to earn an initial 55% interest in the Project. Votorantim Metais plans to execute a 1,500-metre diamond drill program on priority exploration targets in the second quarter of 2011.

### **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.

During the period, Redzone filed an updated Technical Report on the Lara Porphyry Copper-Molybdenum Deposit, Peru, authored by Simon J. Meldrum, Consulting Geologist and dated March 1, 2010. The Technical Report is available for viewing under the corporate profile of Redzone at [www.sedar.com](http://www.sedar.com). In preparation of the new Technical Report, Mr. Meldrum re-logged all the diamond drill core, re-compiled and re-coded the RC drill logs and collated the geological database including 251 drill-hole log records and 61 field samples. He concluded that the overall mineralizing system is much larger than the current mineral resource estimate indicates, with the secondarily enriched portion of the deposit open to the east and west and the primary mineralization open in all directions. Most notably, a large portion of the core of the deposit and the Socos copper target remain untested by drilling. Mr. Meldrum further noted that there is good potential to expand both the tonnage and grade of the current resource estimate and that the Project deserves a comprehensive evaluation of the low grade (0.15% copper cut-off) potential and what would be economically feasible at US\$2.00 & US\$3.00 per pound copper prices in line with current and foreseeable metal prices.

Mr. Meldrum recommended that Redzone embark on a rigorous exploration campaign that would involve detailed geological and structural mapping and sampling to define the overall limits of the Lara Porphyry system and core drilling aimed at infilling and expanding the Lara porphyry through to the 1,475m level. A two-staged program was recommended with the first stage comprising project permitting and 4,250 metres of core drilling. The initial program of step out drilling has an approximate cost of US\$882,125. The phase two program is contingent on the results of the first phase program and includes an additional 4,400 metres of drilling, additional metallurgical test work and completion of an updated mineral resource estimate. The estimated cost of the second phase program is US\$887,000.

Subsequent to the end of the period, the Company successfully secured drill permits, mobilized geologists and a field team to the project to complete site preparation and contracted Lima-based MDH Perforacion Diamantina (“MDH”) to begin the drilling. The proposed drill program initially comprises 16 diamond drill holes for a total of

approximately 2,000 metres. The program aims to test near-surface oxide copper mineralization not previously considered in resource estimates, to laterally extend the zone of supergene enriched copper mineralization outlined in previous programs and scout drill the underlying porphyry. The length of the drill holes will range from 80 to 120 metres, with two deeper holes projected to 300-350 metres depth.

### ***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. The Company has an Agreement whereby Consorcio Minero 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.

### ***Lampa Gold Project***

During the period, the Company received encouraging results from reconnaissance work on its 100%-owned Lampa Gold Project in southern Peru. The Company's field teams have outlined a 4 by 2 kilometre belt of gold bearing quartz veins hosted by sandstone and quartzites. Individual veins have been mapped for lengths of over 300 metres, with thicknesses in the range of 0.60 to 1.00 metres and evidence of numerous small-scale historical workings. The veining is epithermal and comprises vuggy quartz, with abundant iron oxides (after sulphides). Forty-four rock chips samples have been analyzed from this program, with the highest gold value 6.96 grams per tonne ("g/t"). The veins are also anomalous in cobalt, arsenic and bismuth.

The Lampa Gold Project is 4,800 hectares in size and located within a highly prospective structural corridor in southern Peru. Known deposits/mines in the same corridor include: Arasi (high sulphidation epithermal gold), El Cofre (low sulphidation epithermal silver), Pinaya (gold-copper porphyry), Berenguela (silver carbonate replacement) and San Judas (tungsten).

The geology comprises a predominantly sedimentary package of shales and slates of the Ananea Formation (Upper Silurian-Lower Devonian age) overlain by sandstones and quartzites (Jurassic age) and intruded by small stocks of diorite-tonalite and sills of quartz feldspar porphyry. On the west flank of the property, late andesite lava flows and agglomerates of the Tertiary-age cover the sedimentary package. The shales and slates of the Ananea Formation are host to important vein gold deposits in the Oriental Cordillera, which are the source of the gold in the placers of the Madre de Dios.

### ***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 (reported during the last quarter) 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. During the period the Company completed additional mapping and sampling on the project.

### ***Picha Copper-Silver Project***

The Company's 100%-owned Picha Copper-Silver Project is located within the prolific Tertiary Volcanic Arc of Southern Peru, host to various important low and high sulphidation epithermal systems as well as large skarn-porphry deposits like Tintaya. The property is 6,000 hectares in size and is adjacent to the joint-venture properties of Gold Fields Limited and Compañía de Minas Buenaventura S.A., where they have recently discovered the Chucapaca Gold-Copper Deposit with reported mineral resources of 5.6 million gold equivalent ounces. Mineralization at Chucapaca is hosted by a diatreme-breccia body at the sediment-intrusive contact that is an important regional feature, also host to past silver producer San Antonio de Esquilache and the currently producing Tucari-Santa Rosa epithermal gold-silver district.

Mineralization at Picha is associated with propylitic alteration, small zones of argillic alteration and opaline-quartz veining, stockworks and concordant replacements zones ("mantos"). A total of 419 rock samples have been collected during recent field campaigns, with 11 reporting values over 3% copper; 37 reporting values over 1% copper; 53 reporting values over 0.5% copper; 69 reporting values over 0.1% copper; 85 reporting values over 500 parts per million ("ppm") copper; and 174 reporting over 100 ppm copper. Molybdenum values were generally low, with anomalous values where present correlating with anomalous copper values. Silver values were also mostly low, but a total of 58 samples (or 19%) reported anomalous values, with good correlation with copper. Barium values were found to be high, with lead, zinc and arsenic also related with copper anomalism.

### **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% P<sub>2</sub>O<sub>5</sub> 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 follow-up sampling on 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 September 30, 2010**

For the quarter ended June 30, 2010 the Company reported a loss of \$830,799 or \$0.03 per common share as compared to a loss of \$337,955 or \$0.02 per common share for the comparative period ended September 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 acquired in December of 2009. Administrative costs were higher for almost all items due to the addition of a new President and the increased management effort required by the higher level of exploration activity. These higher costs were partially offset by other income which included revenue from property option payments.

### **Nine Months Ended September 30, 2010**

For the nine months ended September 30, 2010 the Company reported a loss of \$2,650,492 or \$0.11 per common share as compared to a loss of \$1,161,480 or \$0.06 per common share for the comparative period ended September 30, 2009. The loss was higher than in the prior year for the same reasons as noted above for the quarterly loss except that for the nine month period, general and administrative costs were also higher than in 2009 due to higher stock-based compensation.

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

The Company's working capital position at September 30, 2010 was \$394,344 compared to \$2,240,140 at December 31, 2009. The decrease in working capital of \$1,845,796 from December 31, 2009 was due to its loss from operations. These expenditures were partially offset by proceeds from the sale of Sprott Resource Corp. common shares.

All of the Company's cash and cash equivalents at September 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. At September 30, 2010 the Company held common shares of Sprott Resource Corp., Redzone Resources Ltd. and CCT Capital Ltd. with a fair value of \$4,732,750. 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	2010	2010	2009
Quarter Ended	Sept. 30	Jun. 30	Mar. 31	Dec. 31
Exploration expenditures	663,164	489,760	430,587	305,828
Stock-based compensation	-	380,567	-	-
Net loss for the period	(832,492)	(1,065,530)	(754,163)	(415,477)
Loss per share (basic and diluted)	(0.03)	(0.04)	(0.03)	(0.02)

	2009	2009	2009	2008
Quarter Ended	Sept. 30	Jun. 30	Mar. 31	Dec. 31
Exploration expenditures	\$279,807	\$237,800	\$333,845	\$255,250
Stock-based compensation	-	42,046	25,818	28,502
Net loss for the period	(337,955)	(398,357)	(425,168)	(413,245)
Loss per share (basic and diluted)	(0.02)	(0.02)	(0.02)	(0.02)

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 September 30, 2010 the higher exploration costs were due to a higher overall level of activity, particularly in Peru. The net loss for the period was lower than for the prior quarter because there was no stock-based compensation expense in the September 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 completed the following steps by the end of the third quarter:

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

The Company expects to meet its IFRS reporting requirements for its first quarterly report in 2011.

## RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2010 the Company paid \$149,400 (2009 - \$154,490) 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 September 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 September 30, 2010 the Company had a balance owing to Inca Pacific Resources Inc. of \$6,598 (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 September 30, 2010, Lara had an account receivable with Reservoir Capital Corp. ("Reservoir") in the amount of \$9,062 (2009 - \$10,583). Reservoir is related to Lara by having two directors in common.

## MANAGEMENT COMPENSATION

During the nine months ended September 30, 2010 Lara paid or accrued: \$72,000 in salary to the CEO, Miles Thompson, \$63,000 to a company controlled by the President, Andre Gauthier and \$91,750 in salary to a company

controlled by the Vice-President Exploration, Michael Bennell. The four non-executive directors were paid directors' fees in the quarter ended September 30, 2010 in the amount of \$5,000 each. These fees were for service from May 1, 2010 to September 30, 2010. 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 sol 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 November 18, 2010 there were 25,190,072 common shares issued and outstanding. In addition, there were 2,2,294,375 fully vested stock options outstanding with exercise prices ranging from \$0.40 to \$3.20 per option and terms expiring between March 16, 2011 and November 8, 2015.