MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX MONTHS ENDED JUNE 30, 2018

GENERAL

This discussion and analysis of financial position and results of operations is prepared as at August 17, 2018 and should be read in conjunction with the condensed consolidated interim financial statements of Lara Exploration Ltd. (the "Company" or "Lara") for the six months ended June 30, 2018 and the related notes thereto.

Those condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All dollar amounts included therein and in the following management's discussion and analysis ("MD&A") are in Canadian dollars except where noted. These documents and other information relevant to the Company's activities are available for viewing on SEDAR at www.sedar.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 market prices for commodities, difficulties in obtaining required approvals for the development of a mineral project and other factors.

Lara's operating plan is dependent on its joint venture partners being able to make option payments and fund exploration activities on some of the properties that Lara holds. The operating plan is also dependent on being able to raise new equity funds and sell investments as required to raise sufficient capital resources to acquire and explore new properties. Other factors that affect Lara's operating plan are: commodity prices, gaining access to exploration properties by securing or renewing licenses and concluding agreements with local communities. If any of these factors are impacted in a negative way, such as joint venture partners being unable to raise sufficient capital to complete option agreements or if the Company is unable to raise sufficient capital of its own, there will be a significant impact on the Company's operating plan and any forward-looking statements contained herein.

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 because of new information, future events or otherwise, except as required by securities law.

COMPANY OVERVIEW

Lara is a prospect generator with a strategy to seek exploration discoveries and create royalty interests in South America, funding a significant portion of its mineral exploration costs through joint ventures and partnership agreements. This approach significantly reduces the technical and financial risk for the Company, without losing exposure to the shareholder value enhancement of a major discovery. Lara's experienced management team has already made multiple discoveries and is well established in South America. Currently the Company is most active in Brazil and Peru, but retains an interest in several projects in Colombia and Chile.

Q2-2018 HIGHLIGHTS

- Two further drill holes reported from the Planalto copper discovery in Brazil, with 130.41 metres at 0.93% and 114.58 metres at 0.59% copper equivalent intercepted at the Homestead target.

- Surface channel sampling at the Puituco project in Central Peru encountered well-mineralized breccia veins and mantos, with the best zone averaging 4.65% zinc and 4.86% lead over 42.6m on a manto body approximately 20 metres thick.

- The Company reported that 88 diamond drill-holes were completed at the Company's Grace Gold Project in Peru, 34 of which intercepted anomalous gold values. The third-party option on the Grace project expired in December 2017 and the project is now 100%-owned by Lara again.

- Tessarema received its Mining License from the Brazilian government and is now fully permitted to start operations at the Maravaia copper project in northern Brazil.

EXPLORATION REVIEW

Lara currently holds or participates in exploration projects targeting copper, gold, tin, nickel, iron, phosphate, vanadium, titanium and coal, with exploration mostly funded through joint venture partnerships and strategic alliances. There are currently eight projects in Brazil, three of which are funded by partnerships. The Peru portfolio now comprises fifteen prospects, one is funded by a partner, with one other in a co-funding joint venture and one a royalty interest. The Company is also partnered in five coal and phosphate projects in Colombia and Chile that are funded through alliance agreements with Kiwanda that are in a listing process on the ASX.

Outlook

The Company has completed a five-hole scout drilling program on the Homestead target at the Planalto Copper Project in the Carajás Province of northern Brazil, which has demonstrated that Homestead has the potential to host a significant body of copper mineralization and is only one of several targets identified on the Planalto project. A priority for the company in the coming months will be to identify the right partner and/or funding to move this exciting project forward.

The Company has also undertaken further work on its Damolândia Nickel Project in Brazil results of which should be released in Q3 and on several of its new prospects in Peru. The work in Peru has identified significant zinc-lead-silver mineralization at the Puituco project in central Peru, a property acquired primarily for its potential to host a buried porphyry, and the Company expects to conduct additional follow-up work in the coming period.

Brazil Exploration Projects

Planalto Copper Project

The Planalto Project comprises three exploration licenses, totalling 4,726 hectares in area, covering meta-volcano-sedimentary sequences and intrusives of early Proterozoic-age, located near Vale S.A.'s Sossego copper mine and

Oz Minerals’ Antas copper mine, in the Carajás Mineral Province of northern Brazil. During 2017 an electromagnetic survey was completed over the Divisa and Homestead targets which identified several conductors, one of which at Homestead is coincident with the best copper values from Lara’s soil sampling. Follow-up mapping and sampling was completed to better define this target that extends along the contact between granitic and meta-volcano-sedimentary rocks for approximately 2km of strike length and is between 150 metres and 400 metres in width at surface.

The Company elected to undertake a scout drilling program in late 2017 and reported its first diamond drill hole PDH-17-01 intercepted a mineralized zone 222.29m from surface with an average grade of 0.38% copper and 39ppb gold (0.41% copper equivalent). Within this wider zone, there is an intercept of 117.47m (between 62.08m and 179.55m down hole) with an average grade of 0.53% copper and 54ppb gold (0.57% copper equivalent). The second hole, DDH-17-02, drilled below PDH-17-01 on the same section, intercepted a lower grade mineralized zone of 101.36m at 0.14%Cu and within this zone the best intersections were 15.00m at 0.32% copper and 4.70m at 0.3% copper (see Company news release of February 28, 2018 for details).

In April (see Company news release of April 24, 2018 for details) the Company reported a further two drill-holes, with PDH-18-02 intercepting 210.90m from surface with an average grade of 0.39% copper and 50ppb gold (0.42 % copper equivalent). Within this wider zone, there is an intercept of 114.58m (between 51.47m and 166.25m down hole) with an average grade of 0.55% copper and 68ppb gold (0.59 % copper equivalent). The second hole, PDH-18-01, which was collared approximately 200m to the south of PDH-18-02, intersected from the surface 51.1m at an average grade of 0.27 % Cu with a higher-grade core zone of oxide mineralization with 10m at 0.71% Cu between 4.2m and 14.2m down hole. In June (see Company news release of June 29, 2018) the Company reported its final hole of the Phase-1 scout drilling program, hole PDH-18-03, intercepted 130.41 metres between 68.05m and 198.46m down hole, with an average grade of 0.88% copper and 90ppb gold, or 0.93 % copper equivalent, within a wider zone of 284.71m from surface averaging 0.48% Cu and 48 ppb Au.

The wide intercepts of copper mineralization in chalcopyrite, near to surface and in an area with good infrastructure and several existing mining operations, suggest that this discovery should be attractive to mining companies.

Damolândia Nickel Project

The Damolândia Project comes with an extensive database of airborne and terrestrial geophysics, geochemistry and drilling, including seven diamond drill holes (for a total of 1,553 metres) completed in 2008, which intersected a shallowly-plunging, pipe-like body of disseminated nickel-copper sulphide mineralization approximately 600 metres long and open down plunge (see Company news release of March 1, 2016 for details). Lara's interpretation is that the target may represent the distal extension of more massive mineralization. Certainly, there are several geophysical anomalies along the trend, including electromagnetic (conductivity) anomalies, with coincident soil geochemical anomalies that may reflect more massive sulphides, which were not tested at the time. During the period the Company initiated a program of follow-up work to better define the existing target and look at its potential extensions.

Maravaia Copper Project

The Company is pleased to report that during the period Mineração Maravaia Ltda., was granted its mining license for the Maravaia Copper Project, located near the town of Curionópolis in the Carajás Mineral Province of Northern Brazil. The Maravaia Project is being developed under an option agreement with Tessarema Resources Inc., which in turn has a loan and offtake agreement with Ocean Partners UK Ltd., to provide US$6.5 million in loans towards project development, construction costs and working capital for Mineração Maravaia and the Maravaia Copper Mine. Lara holds a 5% fully-carried interest in Mineração Maravaia Ltda., and a 2% Net Smelter Return royalty on any production from the Maravaia Project and the other mineral rights covered by the original Curionópolis Option Agreement with Tessarema. If Tessarema does not achieve commercial production by November 26, 2018, it will make an additional US$1 million cash payment to Lara and if Tessarema defaults on its loans, Ocean Partners has agreed to recognise Lara’s 2% royalty over the properties.

Peru Exploration Projects

Corina Gold Project

Corina is located within a belt of Tertiary-age volcanic rocks that are host to the Pallancata, Selene and Immaculada mining operations owned by London-listed Hochschild plc. During 2017 Ares, a local subsidiary of Hochschild, completed additional surface sampling and geophysics to better define drill targets, in parallel it also completed archeological and environmental studies, filing its first drill permit application during the period. Subject to timely issue of the drill permit, Hochschild planned to undertake a first-pass drill program in the fourth quarter of 2018, however, delays to the issue of the permit now seem likely to push this program into 2019.

Grace Gold Project

The 6,600-hectare Grace Project covers Tertiary-age volcaniclastics, cut by brecciated silica bodies and veins with wide quartz-alunite and granular silica halos, indicative of a well-preserved high-sulphidation epithermal system. An area of hydrothermal alteration extending approximately 6 kilometers in length by 1 to 1.5 kilometers in width has been outlined to date, where rock chip samples have returned anomalous gold, silver, arsenic, mercury and antimony values. The Project lies adjacent to and immediately north of Minera Apumayo which until recently mined oxide material from four open pits and has a mill and processing plant on care and maintenance.

The Company optioned Grace to Apumayo in 2013, which completed additional surface work, geophysics and 88 shallow drill-holes into four target areas but elected not exercise its option in December 2017. In April, the company (see Company news release of April 10, 2018 for details) reported results from 34 of these drill-holes that had intercepted significant gold mineralization, associated with with high sulphidation epithermal alteration and brecciation of andesitic volcanics. Apumayo was just looking for oxide material to feed its idle mill and did not deepen any of the mineralized holes to test the sulphide potential, so the property remains highly prospective and the Company is seeking a new partner to step in and continue the exploration.

Puituco Project

The Puituco project, located in the Huancavelica Department of Central Peru was acquired at auction in 2017, targeting a buried copper porphyry system. The Company's licenses are completely surrounded by properties held by BHP (known as their Kenita Project) and lie to the north-northwest of the Greater Riqueza project, a JV between Inca Minerals and South32.

During the period the company reported results of its surface chip channel sampling program to evaluate polymetallic brecciated feeder structures and related mantos (see Company release of June 12, 2018 for details). A total of 63 samples were collected across vertical brecciated structures and two related low-angle mantos that extend into the limestones. The best intervals were sampled across Manto-2 where a series of roughly horizontal channel samples PUI-022 to PUI-030 averaged 4.65% zinc, plus 4.86% lead and 37 g/t silver over 42.6 metres; and PUI-031 to PUI-034 averaged 4.73% zinc, 2.6% lead and 16 g/t silver over a thickness of 17.3 metres (slightly oblique to the stratigraphy).

Mineralization at Puituco is hosted by Cretaceous-age limestones of the Jumasha Formation, which have been cut by Tertiary-age intrusives, with a diorite stock mapped to the SW of the sampled area and an andesitic sill extending into the property from the north. Mineralization comprises hydrothermal breccias filling NE-SW oriented tension structures (related to a major regional structure, the NW-SE oriented Chonta Fault) and related mantos, where fluids have been driven laterally into the limestone beds and recrystallized and brecciated them. Geological observations indicate that both Manto 1 and 2 are approximately 20m thick. The vertical orientation of the mineralization and its relationship with the intrusives, indicates potential for the presence of additional mantos deeper in the sedimentary sequence and for a larger porphyry intrusive at depth driving the system.

Qualified Person

Michael Bennell, Lara's Vice President Exploration and a Fellow of the Australasian Institute of Mining and Metallurgy, is a Qualified Person as defined by NI 43-101 *Standards of Disclosure for Mineral Projects,* has reviewed and has approved the disclosure of the technical information in the MD&A regarding the Company's projects.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2018

For the three months ended June 30, 2018 the Company had a net loss of 866,678 or $0.03 per share compared to net income of $410,087 or $0.01 per share in 2017. The unfavorable variance was due to a gain on sale of subsidiaries in 2017, higher exploration expenditures in 2018 and a greater loss on the change in value of derivative financial instruments in 2018. In 2017, Lara recorded a gain of $1,033,047 with respect to the sale of the Maravaia Copper Project to Tessarema Resources Inc. and there was no corresponding gain in 2018. Exploration expenses were higher in 2018 due to drilling and related expenditures on the Planalto property, whereas there was no drilling done on that property in the comparative 2017 quarter. In 2018, the market value of the Company's Valor options declined by $199,573 compared to a decline of $126,468 in 2017. This was due to a lower market price for Valor shares and the reduced option life, which is a key input to the Black-Scholes valuation.

Six Months Ended June 30, 2018

For the six months ended June 30, 2018 the Company had a net loss of 1,876,063 or $0.05 per share compared to net income of $110,604 or $0.01 per share in 2017. The unfavorable variance was due to the same reasons as noted above for the three months ended June 30, 2018, but in addition there was a significant negative variance for share-based payments. This was due to the granting of options and bonus shares in 2018 whereas there were no options or bonus shares granted in 2017.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of $871,836 at June 30, 2018, compared to $2,051,695 at December 31, 2017. Working capital declined by $1,179,859 in the six months of 2018. The decrease in working capital was the result of working capital used to fund exploration and administration activities, investments in associated companies and investment in equipment. During the six months ended June 30, 2018, Lara sold some of its equity investments raising approximately $72,389 in cash to provide additional working capital.

Lara expects that it will continue to receive option payments in the form of cash and / or shares over the next twelve months and includes those scheduled payments as part of its capital resources. In July 2018, Lara sold its equity investment in Valor, for proceeds of approximately $430,000 to provide additional working capital. The Company intends to exercise its Valor options to acquire additional shares and then sell those shares to further increase its working capital. Lara has no fixed payment obligations except option payments for mineral properties; however, these can be terminated at any time without penalty once an option agreement is cancelled. The Company will have to raise working capital to fund its operations for the next twelve months.

SUMMARY OF QUARTERLY RESULTS

	2018	2018	2017	2017
Quarter Ended	**Jun. 30**	**Mar. 31**	**Dec. 31**	**Sep. 30**
Exploration expenditures (net)	$ 373,409	$ 356,641	$ 226,134	$ 328,803
Share-based payments	22,438	211,194	705,500	3,021
Net income (loss) for the period	(866,678)	(1,009,385)	(1,304,207)	16,057
Net loss per share (basic and diluted)	(0.03)	(0.03)	(0.04)	0.00

	2017	2017	2016	2016
Quarter Ended	**Jun. 30**	**Mar. 31**	**Dec. 31**	**Sep. 30**
Exploration expenditures (net)	$ 214,296	$ 280,955	$ 232,598	$ 219,257
Share-based payments	4,737	4,685	48,827	6,920
Net income (loss) for the period	410,087	(299,483)	17,270	(355,528)
Net loss per share (basic and diluted)	0.01	(0.01)	0.00	(0.01)

The loss for the quarters varies primarily based on exploration expenditures incurred, option payments received, and whether stock options were granted in the quarter.

For the quarter ended June 30, 2018, Lara had a net loss of $866,678 compared to a net loss of $1,009,385 in the prior quarter. The favorable variance was due to lower share-based payments, a reduced loss on the change in value of Valor options partially offset by higher transfer agent and filing fees.

For the quarter ended March 31, 2018, Lara had a net loss of $1,009,385 compared to a net loss of $1,304,207 in the prior quarter. The favorable variance was due to lower share-based compensation partially offset by higher exploration expenses and a greater loss on the decline in fair value of its derivative financial instruments.

For the quarter ended December 31, 2017, the Company had a net loss of $1,304,207 compared to net income of $16,057 in the prior quarter. The unfavorable variance was due to higher share-based payments, a loss of $160,158 compared to a gain of $579,383 on derivative financial instruments, partially offset by lower exploration expenditures.

For the quarter ended September 30, 2017, Lara had net income of $16,057 compared to income of $410,087 in the prior quarter. The unfavorable variance was due to a gain on the sale of subsidiaries in the prior quarter of $1.033,047 partially offset by an increase in the value of derivative investments in the current quarter of $579,383 combined with a decrease in the value of the derivative investments in the prior quarter of $126,468.

For the quarter ended June 30, 2017 the Company had net income of $410,087 compared to a loss of $299,483 in the prior quarter. The favorable variance was due to a gain on sale of subsidiary companies of $1,033,047 partially offset by a decrease in the fair value of Valor share purchase options of $126,468 as compared with a gain on those options of $224,485 in the prior quarter.

For the quarter ended March 31, 2017, Lara had a loss of $299,483 compared to net income of $17,270 in the prior quarter. The variance was due to the gain on a sale of a mineral property of $408,840 and option revenue of $86,655 received in the December quarter with no comparable transactions in the March quarter. These unfavorable variances were partially offset by an increase in the fair value of financial instruments and a lower loss from associated companies and joint ventures in the March quarter.

For the quarter ended December 31, 2016, Lara had net income of $17,270 compared to a loss of $355,528 for the prior quarter. The variance was due to a gain on sale of the Picha Property of $408,840 and option revenue of

$86,655 for the Corina Property with no comparable transactions in the September quarter. These favorable variances were partially offset by a negative foreign exchange variance of $30,455.

OUTSTANDING SHARE DATA

There are 34,450,940 common shares issued and outstanding. In addition, there are 3,135,000 fully vested stock options outstanding with exercise prices ranging from $0.25 to $1.02 per option with terms expiring between April 22, 2019 and March 14, 2023. There are 1,203,125 common share purchase warrants outstanding with an exercise price of $1.85 which expire on August 18, 2018. In March 2018, the Company granted 250,000 bonus shares and issued 83,332 of these. The remaining bonus shares vest in two equal tranches over the next two years.

INVESTMENTS IN ASSOCIATES

Kiwanda Coal Alliance

The Company owns a 50% interest in Andean Coal (BVI) Ltd. ("Andean Coal"). The Company had a net investment in Andean Coal of $306,735 at December 31, 2017. During the six months ended June 30, 2018 the Company made an additional investment of $1,234. The Company's share of the net loss for the six months ended June 30, 2018 was $5,243 which decreased its net investment in Andean Coal to $302,726.

Kiwanda Phosphate Alliance

The Company owns a 50% interest in Kiwanda Alliance (BVI) Inc. ("Kiwanda BVI"). At December 31, 2017, the Company's net investment in Kiwanda was $Nil and there were accumulated unrecognized losses of $365,224. During the six months ended June 30, 2018, the Company made an additional investment of $1,131. The Company's share of the net loss for the period was $74,022 and recognized a loss of $1,131, resulting in an accumulated unrecognized loss of $438,115 and a net investment in Kiwanda of $Nil at June 30, 2018.

Minas Dixon S.A.

The Company owns a 45% interest in Minas Dixon S.A. ("Minas"). At December 31, 2017 Lara had an accumulated unrecognized loss of $51,330 in Minas with a net investment of $nil. During the six months ended June 30, 2018, the Company made an additional investment of $65,852. The Company's share of the net loss for the six months ended June 30, 2018 was $41,422 and it recognized $24,430 of previously unrecognized losses. Therefore, at June 30, 2018, the Company's net investment in Minas was $Nil and there were $26,900 of unrecognized losses.

The continuity of investment in associated companies and joint ventures is as follows:

	Minas	Kiwanda	Andean Coal	Total
Investment in associated company				
Net investment at December 31, 2017	$ -	$ -	$ 306,735	$ 306,735
Additional investment (recovery) for the six months ended June 30, 2018	65,852	1,131	1,234	68,217
Share of net (loss) income	(41,422)	(1,131)	(5,243)	(47,796)
Previous losses recognized	(24,430)	-	-	(24,430)
Net investment at June 30, 2018	$ -	$ -	$ 302,726	$ 302,726

RELATED PARTY TRANSACTIONS

The aggregate value of transactions paid or accrued to key management personnel and directors was as follows:

For the six months ended June 30, 2018		Salary or fees		Share-based payments		Total
Chief Executive Officer	$	60,000	$	59,305	$	119,305
VP Corporate Development		24,000		59,305		83,305
VP Exploration		92,672		115,020		207,692
Chief Financial Officer		-		25,158		25,158
Corporate Secretary		-		20,695		20,695
	$	176,672	$	279,753	$	456,425

The above payments for management compensation are payments made in the normal course of business. The amounts paid for these services are negotiated in good faith by both parties and fall within normal market ranges. The Compensation Committee reviews executive compensation annually. The Board of Directors considers any changes to executive compensation recommended by the Compensation Committee and approves these changes if appropriate. The consulting contracts with senior management are ongoing monthly commitments which can be terminated by either party with sufficient notice. All balances due to related parties are included in accounts payable and accrued liabilities.

The outstanding balances due to or from related parties are as follows:

Related party assets and liabilities	Service or items		June 30, 2018		December 31, 2017
Amounts due to:					
CEO	Expenses	$	20,215	$	593
VP Exploration	Fees and expenses		14,388		11,759
VP Corporate Development	Fees and expenses		8,400		2,499

FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

	June 30, 2018							
Financial instruments		Financial instruments at FVTPL		Available-for-sale investments		Loans and receivables		Other financial liabilities
Cash and cash equivalents	$	-	$	-	$	818,516	$	-
Restricted cash equivalents		-		-		57,500		-
Receivables		-		-		41,025		-
Long-term investments		257,456		391,139		-		-
Accounts payable and accrued liabilities		-		-		-		(110,900)
	$	257,456	$	391,139	$	917,041	$	(110,900)

Fair Value

The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value due to the short-term nature of these instruments.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CHANGE OF ACCOUNTING POLICY

On January 1, 2018, the Company adopted all of the requirements of IFRS 9 – Financial Instruments. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, therefore the Company's accounting policy with respect to financial liabilities is unchanged.

The main area of change is the accounting for equity securities previously classified as available for sale. The Company elected to classify its equity investments as fair value through other comprehensive income ("FVTOCI") as they are considered to be held for trading.

The Company completed an assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial Assets and Liabilities	Original Classification – IAS 39	New Classification – IFRS 9
Cash and cash equivalents	Amortized cost	Amortized cost
Restricted cash	Amortized cost	Amortized cost
Receivables	Amortized cost	Amortized cost
Long-term investments	Available for sale	FVTOCI
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

The adoption of IFRS 9 did not result in any changes to the Company's financial statements.

RISKS AND UNCERTAINTIES

Financial Risk Management

Lara's strategy with respect to cash is to safeguard this asset by investing any excess cash in very low risk financial instruments such as term deposits or by holding funds in the highest yielding accounts with a major Canadian bank. By using this strategy, the Company preserves its cash resources and can earn a low risk return through the yields on these investments. The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk and interest rate risk.

Foreign Currency Risk

The Company operates mainly in Canada, Brazil and Peru and therefore is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company funds cash calls to its subsidiary companies outside of Canada in Canadian or US dollars and a portion of its expenditures are incurred in the local currencies. The risk is that a significant change in the exchange rate of the Canadian dollar relative to the US dollar, the Brazilian real and the Peruvian sol could have an adverse effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. The Company is exposed to currency risk through assets and liabilities denominated in these foreign currencies. A 10% change in the exchange rate of these foreign currencies to the Canadian dollar would result in an increase or decrease of approximately $32,900 to the net loss or income from operations.

Market and Interest Rate Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in values of quoted market prices. Interest rate risk is the risk that the fair value of cash flows from a financial instrument will fluctuate due to changes in market interest rates. Lara holds FVTOCI and FVTPL investments which have market risk and have generally declined in value since acquisition because of the weak equity markets for exploration companies. The Company could incur further impairment charges in future depending on the performance of the FVTOCI investments and general market conditions. The Company's cash is held mainly in interest-bearing bank accounts, and therefore there is currently minimal interest rate risk.

Credit Risk

Credit risk is the risk that one party will cause a financial loss for another party by failing to discharge an obligation. The Company is exposed to credit risk with respect to its cash and cash equivalents. The Company's cash and cash equivalents are mainly held through a large Canadian financial institution and are mainly held in bank accounts or GIC's and accordingly, credit risk is minimized. The Company generally does not accrue receivables for scheduled option payments, only recording them when they have been received. That procedure significantly reduces the risk of uncollectible receivables. To date Lara has always paid amounts owing when due.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital resources. The Company's objective is to ensure that there are sufficient committed financial resources to meet its business requirements for a minimum of twelve months.

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 responses to operating risks include: ensuring ownership of and access to mineral properties by confirming that option agreements, claims and leases are in good standing and obtaining permits for drilling and other exploration activities. There can be additional risks involved in some countries where pending applications for claims or licenses can be affected by government changes to application procedures.

Some of the Company's mineral properties are located within or near local communities. In these areas, it may be necessary as a practical matter to negotiate surface access with these local communities. There can be no guarantee that, despite having the legal right to access a mineral property and carry on exploration activities, that the Company will be able to negotiate a satisfactory agreement with any such existing land owners or communities for this access. Therefore, the Company or one of its joint venture partners may be unable to carry out exploration activities on a property. In those circumstances where access has been denied by a local community or land owner, the Company may need to rely on the assistance of local officials or the courts to gain access or it may be forced to abandon the property.

Lara is currently earning an interest in certain of its properties through option agreements and the acquisition of title to the properties is only completed when the option conditions have been met. These conditions generally include making cash payments to the vendor, paying annual land fees, incurring exploration expenditures on the properties and can include the satisfactory completion of technical 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.

Joint Venture Funding Risk

Lara's strategy is to seek partners through joint ventures to fund exploration and project development. The main risk of this strategy is that funding partners may not be able to raise sufficient capital to satisfy exploration and other expenditure terms in a joint venture agreement. As a result, exploration and development of one or more of the Company's property interests may be delayed depending on whether Lara can find another partner or has enough capital resources to fund the exploration and development on its own.

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 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.

Financing and Share Price Fluctuation Risks

Lara has limited financial resources, has no reliable 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 issues, debt financing or liquidation of long-term investments. 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.

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 price 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 way 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. 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

During exploration, development and production on mineral properties, the Company is subject to many 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 severe weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's property or facilities and equipment, personal injury or death, environmental damage to mineral properties, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect itself 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 cause a decline in the value of the Company's securities. Some work is carried out through independent consultants and the Company requires that all consultants carry their own insurance to cover any potential liabilities because of their work on a project.

Key Personnel Risk

Lara's success is dependent upon the performance of key personnel working in management and administrative capacities or as consultants. The loss of the services of senior management or key personnel could have a material and adverse effect on the Company, its business and results of operations.

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 competes with many other companies and individuals that have substantially greater financial and technical resources, for the acquisition and development of projects as well as for the recruitment and retention of qualified employees.