



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
THE YEAR ENDED DECEMBER 31, 2020**

**GENERAL**

This discussion and analysis of financial position and results of operations is prepared as at April 14, 2021 and should be read in conjunction with the consolidated financial statements of Lara Exploration Ltd. (the "Company" or "Lara") for the year ended December 31, 2020 and the related notes thereto.

The Company prepares its financial statements 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](http://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 or permits for the development of a mineral project and other factors.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

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 enough capital 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 impact the Company in a negative way, such as joint venture partners being unable to raise enough capital to complete option agreements or if the Company is unable to raise enough 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 and royalty generator with a strategy to seek exploration discoveries and create royalty interests in South America, aiming to fund 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 focused and most active in Brazil and Peru.

## COMPANY HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2020

- Start-up of mining and processing at the Celesta Copper Project in northern Brazil, where Lara has a 5% equity interest and a 2% royalty.
- Signed an option and royalty agreement to sell the 45%-owned Lara Copper Project in southern Peru, to Peruvian-listed miner Minsur S.A., for US\$5.759m in cash (US\$59,000 received) and a 1.5% royalty.
- Sale of the Fofoca South Gold Project in northern Brazil to Serabi Gold plc. for US\$100,000 and a 2% royalty.
- Restart of mining, processing, and sales at the Bifox Phosphate Project in northern Chile, where the Company has a roughly 13% equity interest and a 2% royalty.

## EXPLORATION REVIEW

Lara currently holds or participates in exploration and royalty projects hosting copper, gold, iron, phosphate, vanadium, and zinc mineralization, with exploration drilling mostly funded through joint venture partnerships. The Company holds eight active projects in Brazil, two of which are partner funded joint ventures and five royalty interests. The Peru portfolio comprises nine exploration projects, one partner funded, and four converted to royalty interests. The Company also has an equity and royalty interest in Bifox Limited ("Bifox"), that has a producing phosphate mine in northern Chile.

## OUTLOOK

Lara has generated and participates in three copper-gold discoveries in the Carajás Mineral Province of northern Brazil, at Liberdade, Planalto, and Celesta. The Liberdade discovery remains in a legal dispute between our partner, the National Copper Corporation of Chile, or Codelco, and Brazilian miner Vale S.A. ("Vale"), where we continue to monitor progress through the Brazilian courts. Planalto is being more actively developed, and we are working with partner Capstone Mining Corp. ("Capstone"), to define and test extensions of the known mineralization and new targets on the property. Development work at Celesta has continued with the drilling of a new discovery denominated Osmar-2 and additions to the plant to increase throughput and recoveries, the operation is gradually ramping up to full production around the end of Q2-2021. Looking to the year ahead in Brazil, we have plans to start another 4,350m of diamond drilling at Planalto in Q2-2021, undertake further drilling on our Itaituba vanadium project in H2-2021 and acquire additional exploration properties through the new government auction system.

In Peru, we made a new precious metals discovery at Corina with London-listed Hochschild Mining plc. ("Hochschild") in 2019. The Corina project lies close to Hochschild's Pallancata mine and mill at Selene that are fast running out of reserves, so Corina is reported as a high priority project. Hochschild started a more substantial drill program in Q4 and which is still on-going, results from the first batch of very encouraging holes were reported in Q1-2021. We were pleased to also complete an option agreement with Minsur to reactivate our Lara Copper Project, who are starting production from their US\$1.6 billion Minas Justa copper mine in the same district. In 2021 we look forward reporting further drilling results from Corina as they become available and plan to undertake additional work on our 100%-owned Puitico zinc and Huaylas copper projects. We are also actively looking for new opportunities to expand our portfolio in Peru.

In January 2020 Bifox settled the long-standing legal case with the Chilean government that it inherited when the phosphate mining licenses at Bahia Inglesa were acquired and in Q3-2020, mining, processing and sales of direct application phosphate were able to resume intermittently. In 2021 Bifox is seeking to raise pre-IPO financing to build up phosphate production and sales and then seek an ASX listing.

The coronavirus COVID-19 pandemic has had various effects on the Company's activities, with Brazil, Peru, Chile, Canada, and the UK all have been or are under some form of lockdown, which is likely to limit our ability to move some projects forward and to acquire new ones until conditions improve. While it is not possible to predict the duration or magnitude of the Covid-19 outbreak and its effects on the Company's business, we will continue to work to keep our team, the people around us, and the Company in good health.

## **BRAZIL EXPLORATION**

### ***Planalto Copper Project***

The Planalto Project comprises three licenses, covering an IOCG copper discovery, located near Vale's Sossego copper mine and Oz Minerals' Antas copper mine, in the Carajás Mineral Province of northern Brazil. The Project is being explored through an option and joint venture agreement with Canadian listed copper miner Capstone (see Company news release of February 4, 2019, for details) that is funding all costs through to production in exchange for a 70% interest in the project, with Lara currently the operator.

Drilling has defined a number of copper-gold targets, with the best results to date on the Homestead target. The latest round of drilling (see Company news release of April 20, 2020, for details) tested extensions of the mineralization intersected to the west and northwest of the Homestead mineralized zone. Another hole drilled to the east of the previously known mineralization intersected a new zone of blind copper-gold mineralization at a depth of approximately 200 metres below the surface. Two further holes in the Silica Cap target, at the southern end of Homestead, both intersected anomalous copper mineralization close to the granite-mafic volcanic contact similar to that seen in the previous drilling. Our expectation was that the Homestead mineralization would extend further to the West, but the latest results suggest a more northerly direction and we have now optioned two adjacent properties which potentially allow a doubling of the strike of the target northward (see Company news releases of January 11 and March 15, 2021 for details).

The gradual lifting of local travel restrictions and the implementation of appropriate protocols has meant that we were able to resume fieldwork in H2, completing additional surface geochem sampling, metallurgical testing, environmental baseline studies and terrestrial geophysics (IP), some of which will continued through into 2021 as we were able to acquire additional exploration rights over potential northward extensions to the mineralization. Subject to permitting and our ability to operate through the latest wave of Covid-19 infections, we plan to start the next round of diamond drilling in Q2-2021.

### ***Celesta Copper Project***

The Celesta Copper Project comprises multiple high-grade IOCG breccias; drilling on one of these, Osmar-1 has defined a resource of 2.14 million tonnes grading 4.2% copper and 0.66 parts per million ("ppm") gold (please refer to the Company's 43-101 Technical Report "Maravaia Copper-Gold Deposit, Carajás Mining District, Pará, Brazil" by João Batista G. Teixeira, dated September 28, 2016, and available on the Company's website and Sedar). Lara owns a 5% interest in Celesta without the obligation to contribute to the start-up costs and a 2% royalty on any production that is already generating modest cashflow.

Brazil defined mining as an essential service allowing work to continue during the Covid-19 pandemic in 2020, which allowed Celesta to continue and complete development and construction work, albeit with some delays, and to start mining and processing in July. First concentrates were shipped at the end of July, with a total of 1,195 dry metric tonnes of concentrate, containing 457 tonnes of copper metal and 1,286 ounces of gold shipped in H2-2020. The plant has so far achieved a maximum processing rate of only 350 tonnes per day, below the targeted 500 tonnes per

day commercial production as defined in the contract with Lara. Concentrate production has also been impacted by lower than projected recoveries from the part-oxidised transition material from the Osmar-1 deposit. These production issues are being addressed with the addition of a second and larger ball mill, ordered in late 2020, along with additional flotation cells, which are scheduled to be delivered and installed in Q2-2021.

Drilling at a second breccia target, denominated the Osmar-2 body, has outlined sulphide mineralization close to surface (see Company news release of February 2, 2021 for details), which will be blended in to increase the production rate and plant recoveries in 2021. Development of a new pit on Osmar-2 started in late 2020 and production in Q1-2021 was predominantly derived from this pit, while a cut-back is being completed to access the next levels at Osmar-1. The current guidance provided to Lara is that mining will resume from Osmar-1 in Q2-2021, with material from both pits then blended at the processing plant. We expect that the commercial production milestone will then be achieved around the end of Q2-2021 once the new mill is installed.

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

The Liberdade Copper Project comprises an exploration license of 8,491 hectares, located in the Municipality of São Felix do Xingú, Pará State, at the western end of the prolific Carajás District. Codelco do Brasil Mineração Ltda., a subsidiary of Chilean State-owned copper miner Codelco, has earned an initial 51% interest in the property by incurring US\$3,300,000 in exploration and may now elect to earn a further 24% interest by sole-funding such additional exploration works as are necessary to define a minimum resource of at least 500,000 tonnes of copper equivalent, independently reported under National Instrument (“NI”) 43-101 guidelines.

The Liberdade exploration license was originally published on October 19, 2010 and valid for three years. It was transferred to Codelco on March 21, 2011, under the terms of the option agreement between Lara and Codelco, with Codelco then having the right to renew the license for up to a further three years. Codelco completed several exploration and drill programs (see Company news releases of March 1, 2013 and October 7, 2013 for details) within the license period and then requested a three-year renewal on July 12, 2013. The Brazilian Mining Agency (“ANM”) has delayed analysis of the renewal, as Vale S.A. (“Vale”) has claimed to have a license dating back to 1986 that is still valid. Codelco filed a lawsuit with the Federal Courts in Brasilia, against both the ANM and Vale to nullify Vale’s claims and safeguard its rights under the Liberdade exploration license. No further progress has been reported on the case during the period; all filings have been submitted by both sides and the parties now await a ruling from the judge.

### ***Itaituba Vanadium Project***

This project covers gabbroic intrusives with massive and disseminated magnetite mineralization with significant titanium and vanadium content, located close to paved roads, 55 kilometres from the Miritituba Port on the Tapajós River, from where material could be barged to shipping terminals on the Amazon River. In 2019 the Company completed an initial four-hole (total of 250.65m) scout diamond drill program to determine the attitude and vertical depth extension of a number of the vanadium-bearing titanium-magnetite bodies identified from surface work and geophysics. Preliminary Davis tube tests run on core samples, selected for a range of magnetic susceptibility values in the host rocks of these titanium-magnetite bodies, produced magnetic concentrate recoveries from 6.6% to 42.6%, with several of these concentrate samples showing vanadium values at 1% V<sub>2</sub>O<sub>5</sub> with a maximum of 1.03% V<sub>2</sub>O<sub>5</sub> (see Company news release of February 26, 2019 for details). During the period the Company systematically cut and sampled the remainder of the drill core for further analyses, including Davis Tube concentrate assays. The plan for 2021 is to undertake further geophysical surveys and drilling.

### ***Fofoca South Gold Royalty***

The Fofoca South property comprises an exploration license, 946.54 hectares in area, located within the main NW-SE trending Tapajós shear zone, which is host to number of well-known gold mines and deposits: Cuiú-Cuiú, Tocantinzinho, Palito, São Chico, Fofoca and São Jorge. The Fofoca South property has a number of surface geochem and geophysical anomalies and abandoned surface workings and lies immediately adjacent to the Fofoca deposit,

which has a National Instrument 43-101 compliant technical report, prepared for Aurora Gold Corp., and dated October 15, 2013 by Geosure Exploration & Mining Solutions Pty Ltd (“Geosure”) including an inferred resource estimate of 2.1 Mt at 2.0 g/t Au for 130,000oz Au, using a cut off grade of 0.5 g/t Au.

During the year ended December 31, 2020, the Company completed an agreement to sell the prospect to London-listed Serabi Gold plc. (“Serabi”), for US\$100,000 in cash (paid) and a 2% Net Smelter Return Royalty (“NSR”). Fofoca South is close to and partially adjacent to the main block of tenements held by Serabi in the Tapajos Region and 4 km to the northwest of Serabi’s São Chico underground gold mine. Upon completion of a JORC or NI-43-101 compliant technical report, Serabi can elect to purchase half the royalty (1%) for greater of US\$10 per gold ounce or US\$500,000.

### ***Tocantins Gold Royalty***

The Tocantins Gold Project, which is located near the town of Conceição de Tocantins in Central Brazil, comprises a two exploration licenses totalling 14,329 hectares, covering Lower Proterozoic age greenstone lithologies that have been mined for gold sporadically since colonial times. Vale S.A. (“Vale”) carried out the first systematic exploration of the area in the 1990’s, targeting gold associated with low-angle thrust faults and fold structures, completing 180 shallow reverse circulation drill holes (totalling 9,129 metres) outlining several near-surface gold occurrences. Further work undertaken more recently by a junior explorer, included twelve diamond drill holes (totalling 1,731 metres), targeting higher grade plunging zones in fold noses. The best results from this program were intercepts of 2 metres at an average grade of 18.97 grams per tonne gold (“g/tAu”) from drill hole TO-08, and 17 metres at 3.93 g/tAu, including 4 metres at 9.01 g/tAu and 2 metres at 11.05 g/tAu from drill hole TO-09 (see Company news release of February 1, 2016 for details). In September 2019 the Company signed an agreement transferring all its rights and obligations to local mining company Mineração Aldeia de Vale Eireli (“AVE”), in exchange for a 2% Net Smelter Return Royalty on production. AVE is seeking permits and financing to start a mine at the project.

### ***Vertical Iron Royalty***

The Curionópolis Iron Project comprises a 1,348-hectare license area, covering banded-massive iron formations and related colluvium and lateritic material with grades reaching over 60% iron, located within the Company’s Curionópolis Copper-Gold Project. This property has been optioned to Vertical Mineração Ltda. a special purpose company owned by a group of Brazilian pig iron producers, under an agreement whereby Vertical will make cash payments and pay royalties of US\$1.50/ton on sales of granular iron ore and US\$0.75/ton on sales of fine-grained iron ore produced from the Project.

Vertical is in default with its obligations and payments and the Company filed for arbitration with the FARJ (Forum Arbitral do Rio de Janeiro) in 2016, over its Mineral Rights Transfer Agreement (“the Agreement”) with Vertical. Among the terms of the Agreement, signed in May 2009, whereby Lara transferred its rights to the Curionópolis Iron Project to Vertical, were obligations for Vertical to make purchase payments and pay minimum royalties to the Company. Despite several renegotiations extending payment terms and repeated notifications, Vertical has not completed these payments. Lara has requested that the Arbitrators rule on the unpaid amounts, plus interest and fines, as defined by the option agreement. Vertical has contested the qualification of the FARJ and the parties have yet to agree an alternative venue. Given the higher prevailing iron ore prices, the Company has received expressions of interest and is working with Vertical to find a new partner to take over the project.

### ***Cumarú Manganese Royalty***

The Cumarú Manganese Project comprises two exploration licenses totalling 8,915 hectares in area, located near the town of Cumarú do Norte in Pará State, northern Brazil, registered as part of Lara’s on-going generative program for gold and copper around the Carajás Mineral Province. Exploration work did not encounter significant gold or copper values but did identify lateritic manganese mineralization. In September 2019 the Company completed an agreement transferring all its rights and obligations for the project to local mining company Seven Mineração Limitada, in exchange for BRL 250,000 in cash (equivalent to approximately US\$60,975) and a royalty of US\$2/ton of

ore taken from the property. The Company has received the first BRL 125,000 payment. The second payment was due on July 19, 2020, but is still outstanding, and accordingly no amount receivable has been recorded. Seven Mineração has made agreements with the local landowners and is seeking permit to starting pilot mining. No progress has been made on this during the period.

## **PERU EXPLORATION**

### ***Corina Gold Project***

The Corina Gold Project covers part of a belt of Tertiary-age volcanic rocks in southern Peru that also host Hochschild's Pallancata and Immaculada mining operations and past producer Selene, with Lara's project located approximately 15km north (approximately 25km by road) of the mill at Selene, which currently processes ore from the Pallancata mine, which is running out of reserves. Hochschild has the option to purchase the Corina Project from Lara by making staged cash payments totalling US\$4,150,000 (US\$650,000 has been paid to date, with US\$1 million due in July 2021) and pay a 2% net smelter return royalty on any future production (see Company news release of June 23, 2014, for details).

In 2019 Hochschild's first-pass drill program at Corina made a significant discovery, with multiple gold and silver intercepts in low sulphidation epithermal mineralization from two subparallel veins/structures (see Company news release of October 1, 2019, for details). Hochschild completed a further 2,318 metres of resource drilling in Q4-2020 on the Corina structure with excellent results (see Company news release of February 2, 2021 for details). Drilling has continued into 2021, with resource and exploration drilling in the Corina and associated structures to the northeast of the system. The Company expects to report further drilling results through the year as they are made available.

### ***Lara Copper Project***

The Lara Copper Project covers copper and molybdenum mineralization associated with porphyry intrusives within the prolific coastal batholith of southern Peru, where Lara currently has a 45% ownership. Geophysical surveys, mapping, geochemical sampling and 9,850 metres of drilling have been completed to date, outlining mineralization over an area approximately 2,000 metres by 1,000 metres, indicative of the potential for a substantial mineralized porphyry copper body.

During the period, the Company and partner Global Battery Metals Ltd. ("GBM") signed an Option and Royalty Agreement to sell the project for US\$5.759 million and a 1.5% NSR royalty to Minsur S.A. ("Minsur"). Minsur is a Peruvian tin and gold miner that is just starting production at the US\$1.6 billion Capex Mina Justa open-pit copper mine near Marcona, in the same district as the Lara project. Under the terms of the Agreement Lara and GBM have granted Minsur an exclusive option to acquire a 100% interest in the Project by making staged cash payments of US\$5.759 million, based on permitting milestones (see Company news release of July 28, 2020 for details). Minsur has also granted a 1.5% Net Smelter Return Royalty ("NSR") to Lara (0.75%) and GBM (0.75%), payable on any production from the property. Minsur retains the right to purchase a 0.25% NSR from each of Lara and GBM (collectively one third) of the NSR for US\$5 million at any time before the commencement of commercial production. Minsur has been compiling and reviewing data and drill cores with a view to resuming fieldwork in 2021, though timing of the next rounds of drilling are subject to securing new community agreements and drill permits.

### ***Puituco Polymetallic Project***

The Puituco project, located in the Huancavelica Department of Central Peru was acquired at auction in 2017, targeting a buried copper skarn-porphyry system. The Company has completed mapping and 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). Given the Covid-19 restrictions, the Company was not able to undertake further work during the period, but the plan is to undertake additional exploration works during the 2021 field season.

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 skarn-porphyry intrusive at depth driving the system.

### ***Buenos Aires Zinc Project***

The Buenos Aires Zinc Project comprises two exploration licenses totalling 1,600 hectares in area, located within the Huasicancha and Chuya communities, in the Huancavelica Region at an elevation of between 4,400m and 4,650m, approximately 25km northeast of the Company's Puituco Project. Rock chip and channel samples from the Cerro Shacsha Target returned values up to 44% zinc, with twelve samples of the 151 collected returning values over 3% zinc (see Company news release of October 15, 2019 for details).

The Company has a historical dataset with 20 rock samples and 1,629 soils samples within the Buenos Aires property. The two follow-up programs have been conducted to date, with 64 rock samples collected in 2018 and a further 87 rock samples and 37 soil samples in the recently completed program in 2019. Anomalous zinc values are related to altered limestones of the Jumasha formation along a 15-30m wide high-angle fault zone. The structure is subparallel to the bedding of the limestones and is folded both laterally and vertically. Alteration comprises dolomitization, clay alteration and decalcification of the limestones, with accompanying mineralization comprising sphalerite and zinc silicates. Higher grade samples relate to narrow feeder zones, with brecciation, iron oxides and silicification that are interpreted as representing the distal reflection of a carbonate replacement system. The presence of dykes and anomalous copper and molybdenum values also indicate the possible presence of an intrusive body within the sequence. To date the structure and related alteration has been mapped and sampled for approximately 4km along strike but historical sampling indicates the anomaly remains open and appears to extend for a further 3-4km within Lara's licenses.

### ***Picha Copper Royalty***

The Company sold the Picha project to Australian-listed Valor Resources Limited ("Valor") and retains a NSR royalty on any future production of 2% for precious metals and 1% for base metals. The project is in the Moquegua Department of southern Peru, approximately 17km ENE of Compañía de Minas Buenaventura S.A.'s San Gabriel construction ready gold project. Lara completed geological and alteration mapping, surface sampling and ground geophysics (158-line km of magnetic and 65-line km of induced polarization surveys) on the project. This work reported positive copper results from sampling, along with the widespread alteration, brecciation, vein stock working and geophysical anomalies, are indicative of potential to discover a porphyry system at depth.

### ***Ancash Gold Royalties***

In September 2019 the Company completed an agreement transferring all its rights and obligations to the Pampas 1, Pampas 2 and Tayacoto gold exploration licenses, located in the Ancash Department of northern Peru, to Estrella Gold S.A.C. ("Estrella") in exchange for 5% of the shares of Estrella and a 1% NSR royalty on future production. The three properties, totalling 2,200 hectares in area, are early stage prospects claimed as part of Lara's generative program for gold in Peru. Estrella is a Peruvian exploration company focused on epithermal gold exploration in the Ancash Department, where it currently holds 10,300 hectares of licenses and license applications (including the

2,200 hectares from Lara). Estrella has signed a Letter of Intent with Daura Capital Corp. (listed in TSXV with symbol DUR.P) by which Daura will acquire Estrella Gold. The capitalized costs totaling \$8,854 for these three licenses were written off in the year ended December 31, 2019.

## **CHILE EXPLORATION**

### ***Bifox Phosphate Project***

The Bifox Phosphate Project comprises a block of exploration licenses and the option to purchase mining rights in the Bahia Inglesa basin, near Copiapó in northern Chile. Bifox has completed agreements with the Chilean government (through the Consejo de Defensa del Estado) to settle outstanding environmental infractions and fines incurred by the vendors and lift the embargo on mining and processing (see Company news release of February 18, 2020, for details). Since settling environmental infractions and fines, Bifox has been working to reinstate its permits and resume operations. Production was delayed due to the Covid-19 restrictions imposed in March, but site activities resumed in June and new operating permits issued in late July and early August. Production and sales of direct application phosphate (containing an average 22% P2O5) into the Chilean market were resumed in September 2020, but have not been sustained given the lack of working capital to increase production and fund a marketing and sales effort to generate new orders.

Bifox continues to see pre-IPO financing to ramp up production and work towards listing on the Australian Stock Exchange as steady-state phosphate production and sales revenue emerge. Upon Bifox listing its shares, Lara is due an expense reimbursement of US\$570,000. Lara currently owns roughly 13% of the shares of Bifox and will receive a 2% royalty once production exceeds 50,000 per annum.

### **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 December 31, 2020**

For the three months ended December 31, 2020, the Company had a net loss of \$93,487 or \$0.00 per share compared to a net income of \$200,318 or \$0.01 per share in 2019. The variance was due to an overall recovery of exploration expenses and higher other income in 2019, partially offset by a write-off of investment in associated company, higher share-based payments in 2019 and a greater increase in the fair value of long-term investments in 2020 compared to 2019.

In 2020 the Company incurred exploration expenditures of \$38,000 compared to a recovery of \$365,000 in 2019. The variance was due to the Planalto option agreement becoming effective in the fourth quarter of 2019, which resulted in a significant exploration expense recovery as some expenses incurred in prior quarters were funded by Capstone.

In 2019, the Company wrote-off its investment in an associated company, Andean Coal, and there was no equivalent write-off in 2020.

Share-based payments were nil in 2020 compared to \$52,000 in 2019. There were no options granted in 2020, compared to a grant of 200,000 fully vested options in 2019. The market value of the Company's long-term investment in Valor Resources Limited increased by \$44,000 in 2020 compared to a decrease of \$32,000 in 2019.



## Year Ended December 31, 2020

For the year ended December 31, 2020, the Company had a net loss of \$980,541 or \$0.02 per share compared to a net loss of \$1,153,690 or \$0.03 per share in 2019. The variance was due to lower exploration expenditures, higher other income, no write-off of associated company, and a smaller write-off of exploration and evaluation assets, partially offset by higher share-based payments and a higher foreign exchange loss.

Exploration expenditures were lower by about \$109,000 in 2020, because Lara did not conduct any significant activity on its optioned properties in Peru, mainly due to COVID restrictions. Other income was higher in 2020 due mainly to the option payment of \$US350,000 received from Minera Ares on the Corina property in Peru. Lara wrote off its investment in Andean Coal in 2019 in the amount of \$137,000, whereas there was no equivalent write-off in 2020. In 2020, the Company wrote off \$9,000 of minor exploration properties compared to write-offs of \$101,000 in 2019, which included Azul, Damolandia, and Antamaray.

Share-based payments were higher in 2020, because the Company granted 1,565,000 stock options which were fully vested compared to a grant of only 200,000 in 2019. The foreign exchange loss was higher in 2020 due to the Company holding significant US dollar cash balances in Canada while the US exchange rate weakened. In 2019, the US dollar exchange rate strengthened resulting in exchange gain on holding US dollars. In both 2019 and 2020 the Brazilian Real declined significantly in value contributing to overall exchange loss in both years.

## **SUMMARY OF QUARTERLY RESULTS**

	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>
<b>Quarter Ended</b>	<b>Dec. 31</b>	<b>Sept. 30</b>	<b>Jun. 30</b>	<b>Mar. 31</b>
Net exploration expenditures	\$ 38,034	\$ 99,397	\$ 83,581	\$ 86,018
Share-based payments	-	640,882	-	5,918
Net loss for the period	(93,487)	(796,332)	108,063	(198,785)
Net income (loss) per share (basic and diluted)	(0.00)	(0.02)	0.00	(0.01)

	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>
<b>Quarter Ended</b>	<b>Dec. 31</b>	<b>Sept. 30</b>	<b>Jun. 30</b>	<b>Mar. 31</b>
Net exploration expenditures	\$ 364,846	\$ 567,884	\$ 14,297	\$ 227,500
Share-based payments	52,123	7,562	7,397	19,397
Net income (loss) for the period	200,318	(741,575)	(92,231)	(520,202)
Net loss per share (basic and diluted)	0.01	(0.02)	(0.00)	(0.01)

The net loss for each quarter is primarily based on the amount of exploration expenditures incurred, option payments paid or received, and whether stock options were granted and vested in the quarter.

### Exploration Expenditures

The Company has three main types of exploration activity: general reconnaissance, exploration of mineral properties acquired through claim staking, and exploration of mineral properties acquired through option agreements with third parties.

The amount of exploration activity in a quarter depends on whether the company is in the process of conducting general reconnaissance to acquire new relatively unexplored properties, starting to conduct exploration on recently acquired mineral properties and whether Lara is simultaneously receiving funding from a third party to conduct exploration on properties which have been optioned. For properties that have been optioned, Lara generally

receives the funding, manages the exploration programs, and records the expenditures in their financial statements, net of the amounts paid by third parties.

Exploration spending is also dependent on a healthy treasury. The Company closely monitors its cash position and reduces exploration expenditures if there is not enough funding to cover all administration expenses and planned exploration expenditures each year.

#### Option Payments Received from Third Parties

The Company enters into option agreements with third parties, whereby those third parties agree to acquire a majority interest in a mineral property through a combination of defined exploration expenditures and cash or share payments. Cash or share payments are first accounted for by recovering any exploration costs incurred by Lara, then any capitalized acquisition costs, and finally, any excess payments that are received are credited to other income. Option payments can be significant during the later stages of an option agreement. If they are accounted for as exploration expense recoveries or other income, the payments will have a material effect on the Company's net income or loss for a given quarter.

#### Share-based Compensation

The Company periodically grants stock options to its directors, senior management, and consultants. These grants are usually fully vested on the date of the grant, which can result in a significant share-based payment expense occurring in a given quarter of any year. The last two major option grants, which included all directors, senior management, and consultants, occurred in 2015 and 2017. More recently, Lara has granted options to recognize a specific achievement by senior management, to compensate a new director, or to recognize ongoing contributions from current directors. The greater the number of options granted, and the higher the exercise price, the greater the amount of share-based payment expense that will be recognized.

Lara also grants bonus shares to senior management approximately every two years. The shares have generally vested, one-third on the grant date, one-third after one year, and one-third after two years. Whenever a new bonus share grant takes place, there can be a significant share-based payment expense in that quarter because the first third of the bonus shares are vested immediately, and the expense is recorded at that time. The remaining bonus shares accrue evenly over the succeeding quarters and do not generally cause a significant variation in net income or loss over those quarters.

### **SELECTED ANNUAL INFORMATION**

<b>Years Ended</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Financial Results</b>			
Exploration expenditures	\$ 307,030	\$ 416,241	\$ 1,044,477
Net loss for the year	(980,541)	(1,153,690)	(3,079,196)
Net income (loss) per common share - basic and diluted	(\$0.02)	(\$0.03)	(\$0.09)
<b>Financial Position</b>			
Working capital	\$ 1,375,394	\$ 1,636,419	\$ 531,847
Long-term Investments	375,068	183,595	114,648
Exploration and evaluation assets	84,289	93,640	194,672
Total Assets	2,229,600	2,571,454	1,404,888
Share Capital	26,806,296	26,433,900	24,371,350
Deficit	(34,689,662)	(33,709,121)	(32,555,431)

For the year ended December 31, 2020, loss for the year was lower than 2019, due to lower exploration expenditures, higher other income, no write-off of associated company, and a smaller write-off of exploration and

evaluation assets, partially offset by higher share-based payments and a higher foreign exchange loss. Working capital decreased compared to 2019 due to operations and an investment in Sereno Minerals (BVI) Ltd., partially offset by cash received from the exercise of stock options. Total assets decreased mainly due to cash consumed in operations. Share capital increased due to the exercise of stock options and the issuance of the final tranche of bonus shares to senior management.

For the year ended December 31, 2019, the Company had a lower loss due to lower net exploration expenses; lower share-based payments; a fair value gain on FVTPL investments compared to a significant fair value loss in 2018; higher other income and a lower equity loss in associated companies. Please refer to the details above under Results of Operations. Working capital increased compared to 2018 due to a private placement in March of 2019, which raised gross proceeds of \$2,000,000, receipt of \$1,976,000 of expense reimbursements, and advances from Capstone. The cash raised from the private placement and received from Capstone were the main reasons for the increase in total assets, year over year. Exploration and evaluation assets declined during 2019 due to the write-offs of Azul Tin, Antamaray, Damolândia, and some other minor properties.

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

The Company had working capital of \$1,375,394 at December 31, 2020, compared to \$1,636,419 as at December 31, 2019. Working capital decreased by \$261,025 in the year ended December 31, 2020, due to cash consumed in operations and investing activities, partially offset by funds received for the exercise of stock options. The Company is anticipating that it will continue to receive Celesta royalty payments and further Celesta penalty payments in future months. Lara also believes that there is a good possibility that Ares will make a US\$1,000,000 option payment on the Corina Gold Project this summer. However, depending on the level of exploration activity once COVID restrictions are lifted and whether the aforementioned payments are received from third parties, Lara may need to raise additional working capital in order to sustain operations for the next twelve months.

### **OUTSTANDING SHARE DATA**

There are 39,627,608 common shares issued and outstanding. In addition, there are 3,750,000 fully vested stock options outstanding with exercise prices ranging from \$0.50 to \$1.02 per option with terms expiring between May 27, 2021, and September 1, 2025. The Company also has 2,000,000 common share purchase warrants outstanding with an exercise price of \$0.70, which expire on March 26, 2022.

### **INVESTMENTS IN ASSOCIATED COMPANY AND JOINT VENTURES**

#### **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 \$131,243 as at December 31, 2018. The Company reviewed this investment for impairment at December 31, 2019, and wrote down the carrying value to \$Nil. There was no change in the value of this investment at December 31, 2020, and the Company did not recognize any losses during the quarter on its investment.

#### **Kiwanda Phosphate Alliance**

The Company owns a 50% interest in Kiwanda Alliance (BVI) Inc. (“Kiwanda BVI”). As at December 31, 2019, the Company’s net investment in Kiwanda BVI was \$Nil. There was no change in the value of this investment at December 31, 2020, however, the Company invested an additional \$1,415 in Kiwanda BVI and recognized a loss of the same amount.

## Minas Dixon S.A.

The Company owns a 45% interest in Minas Dixon S.A. ("Minas"). As at December 31, 2019, Lara had a net investment of \$Nil in Minas. During the nine months ended December 31, 2020, the Company made an additional investment of \$31,460 in Minas and recognized losses of the same amount.

## RELATED PARTY TRANSACTIONS

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

<b>For the year ended December 31, 2020</b>	<b>Salary or fees</b>	<b>Share-based payments</b>	<b>Total</b>
Chief Executive Officer	\$ 120,000	\$ 124,039	\$ 244,039
VP Corporate Development	48,000	124,042	172,042
VP Exploration	172,551	126,406	298,957
Chief Financial Officer	-	24,571	24,571
Corporate Secretary	-	20,476	20,476
Directors	-	61,428	61,428
Seabord Services Corp.	213,600	-	213,600
	<b>\$ 554,151</b>	<b>\$ 480,962</b>	<b>\$ 1,035,113</b>

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 that 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:

<b>Related party assets and liabilities</b>	<b>Service or items</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Amounts due from (to):</b>			
CEO	Fees and Expenses	\$ (946)	\$ (11,117)
VP Exploration	Fees and expenses	-	(28,578)
VP Corporate Development	Fees and expenses	(2,677)	(11,250)
Seabord Services Corp.	Deposit	10,000	10,000

## FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

As at December 31, 2020	FVTPL	Amortized Cost	Total
Cash and cash equivalents	\$ -	\$ 1,606,871	\$1,606,871
Restricted cash equivalents	-	57,500	57,500
Receivables	-	36,104	36,104
Long-term investments	375,068	-	375,068
Accounts payable and accrued liabilities	-	(108,435)	(108,435)
Advances from JV partners	-	(198,742)	(198,742)
	\$ 375,068	\$ 1,393,298	\$1,768,366

### 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.

## RISKS AND UNCERTAINTIES

### Financial Risk Management

Lara's strategy for 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 is therefore 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 \$154,700 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 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'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 primarily 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 recording uncollectible receivables.

**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 landowners 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 a local community or landowner has denied access, 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 enough 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 participate in its various exploration projects. 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, labour 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 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.

**COVID-19**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.