LARA EXPLORATION LTD.

(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JUNE 30, 2024
(Expressed in Canadian dollars)

GENERAL

This discussion and analysis of the financial position and results of operations is prepared as at August 28, 2024, and should be read in conjunction with the condensed consolidated interim financial statements of Lara Exploration Ltd. (the “Company”, “Lara”, or “we”) for the six months ended June 30, 2024 and 2023, 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.sedarplus.ca.

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.

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 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 value enhancement of a significant discovery. Lara’s experienced management team has already made multiple discoveries and is well-established in South America, with projects in Brazil, Peru, and Chile.

COMPANY HIGHLIGHTS FOR THE THREE MONTHS ENDED JUNE 30, 2024

- Curionópolis Iron Project (Brazil): The Company agreed with Vertical Mineração Limitada to settle the lawsuit and recover the Curionópolis Iron Project, which has now been transferred back to Lara's Brazilian subsidiary. Subsequently, it has been sold to Ferrous Technology Mineração Limitada for approximately US$2 million and a 3% royalty. The project comprises a 1,226-hectare license area covering iron formations in the Carajás District of northern Brazil that was optioned to Vertical in 2009 for staged cash payments and production royalties. Vertical completed exploration drilling, resource estimates, and economic and environmental studies but defaulted on its payment obligations to Lara. Lara initially filed for arbitration in 2016, which was contested, and then embarked upon legal action in 2022.

EXPLORATION REVIEW

In Brazil, 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 ("Codelco"), and the Brazilian Agency of Mines ("ANM"), but we received a favourable ruling from the lower courts in 2022. Planalto is being more actively developed, with over 26,000m of diamond drilling completed to date and mineral resource estimates and a Preliminary Economic Assessment in preparation. Celesta was producing until Q3-2022 and paid royalties until Q2-2022 but struggled with a lack of working capital, and operations were suspended pending the restructuring of ownership and raising of new finance, which was completed during the period. We expect to see additional reserve drilling in the coming months and the restart of operations later in the year.

In Peru, our efforts are focused on four projects: the Corina Gold-Silver discovery and the Kenita Lead-Zinc-Silver Project, for which we are looking for new partners to fund drilling; the Picha Copper Project, where we retain a 1-2% net smelter return ("NSR") royalty, which is being drill tested by Firetail Resources; and the Alli Allpa Phosphate Project where we are raising our interest to 70% by funding technical studies and community engagement through our local operating company Fosfatos Alli Allpa.

In Chile, Lara holds a minority interest and a royalty in Bifox Ltd., which has resumed production of direct application phosphate at Bahia Inglesa in northern Chile and continues to seek financing to build up phosphate production and complete an ASX listing.

OUTLOOK

The Company's focus in 2024 will be the advancement of our now 100% owned Planalto Copper Project in Brazil. Dr. Simon Ingram was appointed President and CEO in January and is mandated to lead that process. Studies have been initiated to prepare a maiden resource estimate now due for delivery in Q3, and Preliminary Economic Assessment studies are due for completion in Q3.

BRAZIL EXPLORATION

Planalto Copper Project

The Planalto Project comprises a 3,866-hectare block of exploration licenses, located between Vale's Sossego copper mine and Cristalino development project and BHP's Antas and Pedra Branca copper mines in the Carajás Mineral Province of northern Brazil. To date, 26,016 metres of diamond drilling have been completed on the project, joining the two original discoveries, Homestead and Cupuzeiro targets into a single body of mineralization extending over 1,000m from north to south and ranging from 200m to 500m in width from east to west. During the period, the Company made the final purchase option payment to Anglo American Niquel Ltda. for the Tariana license, completing the consolidation of the now 100% owned mineral rights over the project. The Company has engaged Belo Horizonte-based GE-21 Consultoria Mineral Ltda. to prepare a mineral resource estimate and a preliminary economic assessment (PEA) to both Brazilian and Canadian standards.

In January 2024, the Company appointed Mr. Anthony (Tony) Polglase as a Technical Advisor to support the management team in developing the Planalto Project. Mr. Polglase has a Bachelor of Engineering First Class Honours degree in Metallurgy from the Camborne School of Mines and Higher National Certificates in Mechanical Engineering and Electrical Engineering. He began his career at the South Crofty Tin Mine in Cornwall and, since then, has accumulated over 40 years of international experience working in multiple mining disciplines for companies including AngloGold Ashanti Ltd., Rio Tinto Ltd., TVX Gold Inc., and Ivernia Inc., in Africa, Europe, the Former Soviet Union, Australia, and, for the last decade, in Brazil. Mr. Polglase has significant experience in the development, execution, and operation of new mining projects, having been responsible for or closely involved with the commissioning of over seven mines, both open-pit and underground, including plant and maintenance management. Mr. Polglase was the Founder and Managing Director of ASX-listed Avanco Resources Ltd, which he led from pre-IPO into production at the Antas Copper Mine (approximately 12km from the Planalto Project) in Carajás Mineral Province. Avanco was acquired by OZ Minerals for A$418 million in 2018. He has subsequently become a Founder and Lead Director of TSX-listed Bravo Mining, focused on advancing the multi-million-ounce Luanga Platinum Group Metals, Gold, and Nickel Project, which is also located nearby in the Carajás Mineral Province of Brazil.

Celesta Copper Project

The Celesta Copper Project comprises multiple high-grade iron oxide copper gold (IOCG) breccias and drilling on one of these, Osmar-1, defined an inferred 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% preferred interest in Celesta without the obligation to contribute to costs and a 2% royalty on any production. Mine development on Osmar-1 (now the Celesta Pit-1) and plant construction was completed in 2020, and Celesta produced its first concentrates in July 2020. Drilling at a second breccia target outlined sulphide mineralization close to the surface (please see the Company’s news release on February 2, 2021, for details), and the Celesta Pit-2 was developed and put into operation in 2021. However, the plant was unable to achieve the projected 500 tonnes per day throughput and operated at a loss during the construction of a second milling and flotation circuit to raise throughput to 800 tonnes per day. The mill expansion was completed in 2022, but the plant was put on care and maintenance in Q3-2022 due to a lack of working capital. In early 2024, the partners signed agreements to restructure the ownership, with Tessarema Resources Inc. (“Tessarema”) having the option to buy out North Extração de Minério Ltda. (“North”), fund new drilling and restart production. Drilling has been undertaken on the Galpao target and within and proximal to the Osmar pit. In parallel, Tessarema is working to refurbish the plant and upgrade the tailings dam before restarting production later in the year.

Curionópolis Iron Project

The Curionópolis Iron Project comprises a 1,226-hectare license area, covering banded-massive iron formations and related colluvium and lateritic material with grades reaching over 60% iron, located adjacent to the Celesta Copper Project. The property was optioned in 2009 to Vertical Mineração Ltda. (“Vertical”), under an agreement whereby Vertical would make cash payments and pay royalties to Lara 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 has long been in default with these obligations and payments and the Company filed for arbitration without success in 2016. Given the delays and the inability to pursue arbitration, Lara filed a lawsuit against Vertical in 2022, aiming to recover the property and the unpaid advance royalties. During the period, the Company settled the lawsuit, and the license has now been returned to Lara’s ownership.

In May 2024, Lara agreed to sell the Curionópolis Iron Project to Ferrous Technology Mineração Limitada (“Fertec”) for staged payments totalling approximately US$2.0 million. Lara received R$150,000 and has since received R$6.85 million at closing (R$1.5 million of advanced royalties). The remaining R$3 million will be paid upon publication of the transfer of the license into the name of Fertec. Lara will also be entitled to a 3% gross sales royalty on any production, with minimum advance royalties of US$150,000 payable from year three.

PERU EXPLORATION

Alli Allpa Phosphate Project

The Alli Allpa Phosphate Project covers part of a substantial sedimentary phosphate belt in the Junín Region of central Peru. The property is located near a major rail line connecting Huancayo with Lima and the port of Callao, with high-tension transmission lines crossing the property on its western side, and accessible from the national highway connecting Huancayo to Lima. Previous exploration, including trenching, drilling, and technical studies, identified an extensive zone of phosphate mineralization that is amenable to beneficiation and production of phosphate rock concentrate. Stonegate Agricom Ltd., subsequently acquired by Itafos Inc., filed a NI 43-101 Technical Report on SEDAR+ on March 16, 2010 ("Technical Report on the Mantaro Phosphate Deposit Junín District Peru" authored by Donald H. Hains and Michelle Stone, of Hains Technology Associates).

The focus of the Company's efforts in 2023 and continuing into 2024 have been on community engagement, both to explain the benefits of phosphate as a fertilizer to improve crop yields and the potential benefits to the communities of having local production. In parallel, we recovered and relogged the 53 diamond drill holes completed by Stonegate in 2009-2010 and recovered the data and results of process studies. During this period, the Company has continued the search for a partner to pursue the development of the project.

Corina Silver-Gold Project

Lara, with then partner Hochschild, made a significant discovery at Corina in 2019, with multiple gold and silver drill intercepts in low sulphidation epithermal mineralization between 2019-2021, but elected to return the property as part of a broader retrenchment of its exploration efforts in 2022. During 2023, Lara completed a review of the Hochschild drilling, confirming that the Corina vein and breccias are part of the same wider structure, which remains open in all directions. Lower-grade disseminated mineralization was identified in the host rhyolites. The Company is now seeking a new partner for the project to continue resource drilling and project development.

Picha Copper Royalty

The Picha Copper Royalty covers a 3,800-hectare project in the Moquegua and Puno Departments of southern Peru. The core of the Picha project lies approximately 17km ENE of the Buenaventura's San Gabriel Au-Cu-Ag development project, which reports proven and probable reserves of 1.94 million ounces of gold. Other significant copper and precious metal projects in the district include Berenguela, Trapiche, Antilla and Pinaya. Lara holds a 2% NSR on any precious metals produced and a 1% NSR on base metals on licenses totalling 3,800 hectares. The Picha mineral rights are held by Australian-listed explorers Valor Resources and Firetail Resources, with the latter currently progressing a 5,000m diamond drill program on various geochemical and geophysical anomalies and has already intercepted anomalous copper values in the first two reported holes (see Firetail news release of March 13, 2024) into the Cumbre Coya Target.

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 45% ownership. Geophysical surveys, mapping, geochemical sampling and 9,850m of drilling have been completed to date, outlining mineralization over an area of approximately 2,000m by 1,000m, indicative of the potential for a substantial mineralized porphyry copper body. In 2020, the Company and partner Global Battery Metals Ltd. ("GBM") signed an Option and Royalty Agreement to sell the project for US$5,759,000 and a 1.5% NSR royalty to Minsur S.A. ("Minsur"). Minsur is a Peruvian tin, copper, and gold miner who operates the 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$5,759,000 based on permitting milestones (please see the Company's news release of July 28, 2020, for details). Minsur has also granted a 1.5% 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$5,000,000 at any time before the commencement of commercial production. Minsur has compiled and reinterpreted the historical data, secured community support, and is currently undertaking archeological studies as part of the permitting process to resume drilling.

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, 2024

For the three months ended June 30, 2024, the Company had an income of $869,543 or $0.02 per share compared to a loss of $1,563,832 or $0.03 per share in the comparative quarter. The variance was primarily due to the gain on the sale of the Curionópolis Iron Project, partially offset by increased net exploration expenditures.

Six months ended June 30, 2024

For the three months ended June 30, 2024, the Company had an income of $148,826 or $0.00 per share compared to a loss of $2,158,774 or $0.05 per share in the comparative period. The variance was primarily due to the gain on the sale of the Curionópolis Iron Project, partially offset by increased net exploration expenditures.

SUMMARY OF QUARTERLY RESULTS

For the quarter ended	June 30 2024	March 31 2024	December 31 2023	September 30 2023
Net exploration expenditures	$ 504,329	$ 321,919	$ 349,374	$ 272,720
Share-based payments	-	153,159	-	-
Net income (loss) for the period	869,543	(720,717)	(372,321)	(486,964)
Net income (loss) per share[1]	0.02	(0.02)	(0.01)	(0.01)
For the quarter ended	**June 30 2023**	**March 31 2023**	**December 31 2022**	**September 30 2022**
Net exploration expenditures	$ 221,747	$ 162,546	$ 140,166	$ 14,380
Share-based payments	1,042,110	-	-	-
Net income (loss) for the period	(1,563,832)	(594,942)	358,028	(116,741)
Net income (loss) per share[1]	(0.03)	(0.01)	0.01	(0.00)

[1] Basic and diluted

The net income or 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 insufficient funding to cover all administration expenses and planned exploration expenditures.

Share-based payments

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 April 2023 and September 2020. Lara has granted options to recognize a specific achievement by senior management, compensate a new director, or recognize ongoing contributions from current directors. The greater the number of options granted and the higher the exercise price, the greater the share-based payment expense 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 successive quarters and do not generally cause a significant variation in net income or loss.

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 received are (a) first recognized as recoveries on exploration costs incurred by Lara, (b) then any excess as reductions against past acquisition costs capitalized, and (c) finally, any residual portion as other income. Option payments can be significant during the later stages of an option agreement. If these payments are accounted for as exploration expense recoveries or other income, they will have a material effect on the Company's net income or loss for a given quarter.

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

The Company had working capital of $2,674,317 as at June 30, 2024, compared to $2,462,446 as at December 31, 2023. Increase in working capital during the six months ended June 30, 2024, due primarily to initial proceeds from the sale of the Curionópolis Iron Project, partially offset by cash consumed to cover exploration and administration expenditures. The Company has reported a significant value in its investment in Bifox. However, those shares cannot be easily liquidated, and therefore, the Company does not expect that they will be a source of cash to fund operations in 2024. The Company has sufficient capital resources to maintain its operations for twelve months.

OUTSTANDING SHARE DATA

There are 45,827,919 common shares issued and outstanding. In addition, 4,505,000 stock options are outstanding, with exercise prices ranging from $0.50 to $0.79 per option and terms expiring between November 13, 2024, and January 24, 2029. Lara has 3,086,703 share purchase warrants outstanding, with an exercise price of $1.00 expiring on June 17, 2025.

INVESTMENT IN ASSOCIATED COMPANY

The Company has a 45% interest in Minas Dixon S.A. ("Minas Dixon"), which had a carrying amount of was $67,309 as at December 31, 2023. For the six months ended June 30, 2024, the Company recognized its share of Minas Dixon's loss of $4,545 (2023 - $8,995). As a result, the Company's investment in Minas Dixon was $62,764 as at June 30, 2024.

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, 2024		Amounts
Chief Executive Officer	$	102,829
Chairman		102,829
VP Exploration		83,857
VP Corporate Development		106,800
Seabord Management Corp.		60,000
Share-based payments		117,405
	$	583,720

The above payments for management compensation are 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.

Seabord Management Corp. ("Seabord") is related to Lara because it provides the Company with key management personnel services, such as the Chief Financial Officer and Corporate Secretary, who are employees of Seabord and are not paid directly by the Company. As at June 30, 2024 and December 31, 2023, the Company has provided a $10,000 deposit in connection with the service agreement with Seabord.

As at June 30, 2024, the Company had $14,121 (December 31, 2023 - $Nil) due to management related to expense reimbursements, which have been included in accounts payable and accrued liabilities.

FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

		June 30 2024		December 31 2023
Financial assets - FVTPL:				
Long-term investments	$	3,359,784	$	3,314,444
Financial assets - amortized costs:				
Cash and cash equivalents		2,715,410		1,030,040
Restricted cash equivalents		57,976		1,557,976
Receivables		28,388		59,105
Financial liabilities - amortized costs:				
Accounts payable and accrued liabilities		152,859		208,251

Fair Value

The carrying value of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximated their fair value due to the short-term nature of these instruments. Cost is the best measure of fair value for the Company's long-term investments.

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 holding funds in the highest-yielding accounts with a major Canadian bank. 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, including foreign currency risk, credit risk, liquidity risk, and market and interest rate risk.

Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, Brazil, and Peru. The Company funds cash calls to its subsidiary companies outside of Canada in Canadian and US dollars, and a portion of its expenditures are also incurred in local currencies, which include the US dollar, the Brazilian real, and the Peruvian sol. The Company's exposure to foreign currency risk arises primarily from fluctuations between the Canadian dollar and those currencies. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations. Management believes the foreign exchange risk related to currency conversions is minimal.

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 the 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 GICs, and accordingly, credit risk is minimized. The Company generally does not accrue receivables for scheduled option payments, only recording them when received. That procedure significantly reduces the risk of recording uncollectible receivables.

Liquidity risk

Liquidity risk is the risk that the Company will not 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 sufficient committed financial resources to meet its business requirements for the next twelve months. The Company is exposed to liquidity risk.

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 raise enough capital to satisfy exploration and other expenditure terms in a joint venture agreement. As a result, the 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.

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, 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 conduct 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. 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, and 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.

Competition

The Company competes with many other companies and individuals with substantially greater financial and technical resources for the acquisition and development of projects and the recruitment and retention of qualified employees.

Key personnel risk

Lara's success depends on 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 the results of operations.

Financing and share price fluctuation risks

Lara has limited financial resources, no reliable source of operating cash flow and no assurance that additional funding will be available for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may depend 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.

Environmental risks and hazards

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving to require stricter standards and enforcement and involves 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 that are unknown to the Company at present.

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 amounts that 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.