# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Introduction

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of Lupaka Gold Corp. ("Lupaka Gold") and the notes thereto for the periods ended June 30, 2017 and 2016 (collectively referred to hereafter as the "Financial Statements").

In this MD&A, "Lupaka", the "Company", or the words "we", "us", or "our", collectively refer to Lupaka Gold and its 100%-owned subsidiaries, Andean American Gold Corp. ("AAG", Canada), Lupaka Gold Peru S.A.C. ("LGP"), Invicta Mining Corp S.A.C. ("IMC", Peru), Andean Exploraciones S.A.C. ("AES", Peru) and Greenhydro S.A.C. ("Greenhydro", Peru).

This MD&A provides management's comments on Lupaka's operations for the three and six-month periods ended June 30, 2017 and 2016, and the Company's financial condition as at June 30, 2017, as compared with the prior year-end.

**The effective date of this MD&A is August 15, 2017** (the "MD&A Date")**.**

For a complete understanding of the Company's business environment, risks and uncertainties and the effect of accounting estimates on its results of operations and financial condition, this MD&A should be read together with the Company's Financial Statements. Additionally, references are made in this MDA to the Company's Annual Information Form filed March 30, 2015 (the "AIF"), each of which can be found at www.sedar.com.

All currency amounts are expressed in Canadian Dollars unless otherwise indicated.

The Financial Statements and the MD&A were approved by the Board of Directors on August 15, 2017.

## Forward-Looking Statements

Statements contained in this MD&A that are not historical facts are "forward-looking statements" or "forward-looking information" (collectively, "**Forward-Looking Information**") (within the meaning of applicable Canadian securities legislation) that involve risks and uncertainties. Forward-Looking Information includes, but is not limited to, statements relating to the amount of financings; and management's expectations regarding the ability to raise equity capital; expected use of proceeds; business objectives and strategies; the assets and liabilities of Lupaka; the acquisition of interests in mineral properties; the timing of completion and success of community relations (including with respect to agreements with local communities), exploration and development activities, permitting and related programs on the Crucero Gold Project, the Invicta Gold Project and the Josnitoro Gold Project; requirements for additional capital; the estimation of mineral resources; the effect of government policies and announcements; and changes to applicable laws in Peru on the Company's operations. In certain cases, Forward-Looking Information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

The Forward-Looking Information is based on certain assumptions that the Company believes are reasonable, including: with respect to any mineral resource estimates, the key assumptions and parameters on which such estimates are based; the assumption that any additional financing needed will be available on reasonable terms; the exchange rates of the U.S., Canadian and Peruvian currencies in 2016 will be consistent with the Company's expectations; that the Company's current exploration, development and other objectives concerning the Crucero Gold Project, the Invicta Gold Project and the Josnitoro Gold Project can be reasonably obtained; that the results of exploration and other activities will be consistent with management's expectations; that the demand for gold will be sustained; that general business and economic conditions will not change in a material adverse manner; that the Company and its subsidiaries will not experience any material accident, labour dispute or failure or shortage of equipment; that all necessary community and government approvals for the planned exploration of the Crucero Gold Project and the Josnitoro Gold Project, and the planned development of the Invicta Gold Project will be obtained in a timely manner and on acceptable terms; and that the Company's interests in Peru will not be adversely affected by political, social or economic instability in Peru or by changes in the government of Peru or its politics and tax policies. Other assumptions are discussed throughout this MD&A.

Forward-Looking Information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the Forward-Looking Information. Such risks and other factors include, among others: risks related to the completion of financings and the use of proceeds; that mineral resources are not as estimated; unexpected variations in mineral resources, grade or recovery rates; operations and contractual rights and obligations; actual results of the Company's exploration activities being different than those expected by management; changes in exploration programs based upon results of exploration; changes in estimated mineral resources; future prices of metals; currency and interest rate fluctuations; financial risk exposure of the Company such as credit and liquidity risk; availability of third party contractors; increased costs of labour, equipment or materials; increased costs as a result of changes in project parameters; availability of equipment; failure of equipment to operate as anticipated; accidents, effects of weather and other natural phenomena and other risks of the mineral exploration industry; political risks involving the Company's operations in a foreign jurisdiction; environmental risks; risks related to community relations and activities of stakeholders; and unanticipated delays in obtaining or failure to obtain community, governmental, judicial or regulatory approvals, or financing; as well as those factors referenced in the section entitled "Risk Factors" in this MD&A. Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in Forward-Looking Information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that Forward-Looking Information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on Forward-Looking Information.

The Forward-Looking Information in this MD&A is made only as of the date hereof. Except as required under applicable securities legislation, the Company does not intend, and does not assume any obligation to update the Forward-Looking Information contained in this MD&A.

**Cautionary Note to US Investors**

Information concerning mineral properties in this MD&A has been prepared in accordance with Canadian disclosure standards under applicable Canadian securities laws, which are not comparable in all respects to United States disclosure standards. The terms "mineral resource", "measured resource", "indicated resource" and "inferred resource" (and similar expressions) used in this MD&A are Canadian mining terms as defined in accordance with National Instrument 43-101 under guidelines set out in the standards set by the Canadian Institute of Mining, Metallurgy and Petroleum.

While the terms "mineral resource", "measured resource", "indicated resource" and "inferred resource" are recognized and required by Canadian regulations, they are not defined terms under the standards of the U.S. Securities and Exchange Commission ("SEC"). As such, certain information contained or incorporated by reference in this MD&A concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC. An "inferred resource" has a great amount of uncertainty as to its existence and as to its economic and legal feasibility. It can not be assumed that all or any part of an "inferred resource" will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred resources may not form the basis of feasibility or other economic studies. Investors are cautioned not to assume that all or any part of measured, indicated or inferred resources will ever be converted into Mineral Reserves. Investors are also cautioned not to assume that all or any part of an "inferred resource" exists, or is economically or legally mineable.

**Qualified Person**
The technical information in this document has been reviewed and approved by Julio Castañeda, Member of the Australian Institute of Geologists and the President of Lupaka Gold Peru, a wholly-owned subsidiary of the Company, and a Qualified Person as defined by National Instrument 43-101 ("NI 43-101"). Mr. Castañeda is responsible for the preparation and/or verification of the technical disclosure in this document, unless otherwise noted.

**Overall Performance**
The Company is a mineral exploration company involved in the acquisition and assessment of mineral properties in Peru, with a focus on the discovery and development of gold resources.

Lupaka Gold's common shares trade in Canada on the TSX Venture Exchange ("TSX.V") and in Germany on the Frankfurt Exchange under the symbol LQP.

Activities and events of note for the last twelve months are as follows:

- On August 9, 2017, the Company announced that it had received US$2.5 Million of financing (Tranche 1) under a second-amended PLI Financing Agreement (see ***Mineral Projects/Invicta Gold Project/Invicta Production Plans/PLI Financing***);
- On July 24, 2017, the Company announced that it had executed a community agreement with the Lacsanga Community (the "Lacsanga Agreement") and filed it with the Public Registry. The completed registration of this filing is the final significant condition precedent necessary to receive second tranche (US$2.0 Million) under the PLI Financing Agreement. It is expected that the completion of registration will take several weeks (see ***Mineral Projects/Invicta Gold Project/Invicta Production Plans/PLI Financing***);
- On June 30, 2017, the Company completed a bridge loan financing for gross proceeds of $600,000 with a group of third-party individuals (40%) and Insiders of the Company (60%) (see ***Liquidity and Capital Resources/Bridge Loan Financing***);
- On May 24, 2017, the Company announced that it completed a non-brokered private placement unit offering to raise gross proceeds of $300,000 (see ***Liquidity and Capital Resources/Outstanding Share Data***);
- On May 16, 2017, the Company announced that it executed an amendment of the definitive Pre-Paid Forward Gold Purchase Agreement with PLI Huaura Holdings LP (see ***Mineral Projects/Invicta Gold Project/Invicta Production Plans/PLI Financing***);
- On January 12, 2017, the Company completed a bridge loan financing for gross proceeds of $300,000 with a group of third-party individuals (83%) and Insiders of the Company (17%) (see ***Liquidity and Capital Resources/Bridge Loan Financing***);
- On October 6, 2016, the Company provided an update regarding its three development projects (see ***Mineral Projects*** below for additional project details);
- On August 25, 2016, the Company announced that changes were being made to the composition of its Board of Directors to better reflect the production profile of its future mining operations. In this regard, the Company announced the appointment of Lucio Pareja to its Board. Mr. Pareja brings to the Board his extensive experience in the development and ongoing operations of producing underground and open pit mines in Peru; and
- On June 30, 2016, the Company announced that it had:
    - executed a definitive Pre-Paid Forward Gold Purchase Agreement with PLI Huaura Holdings LP ("PLI Financing"), a limited partnership organized under the laws of British Columbia, to fund the completion of development and initiate production at the Invicta Gold Project, upon the Company's completion of certain conditions precedent (see ***Mineral Projects/Invicta Gold Project/Invicta Production Plans/Project Financing***); and
    - completed a bridge loan financing for gross proceeds of $750,000 with a group of third-party individuals (83%) and Insiders of the Company (17%). The Company paid $8,100 cash in finders' fees and $16,300 in other costs in connection with third-party investors (see "***Liquidity and Capital Resources/Bridge Loan Financing***);

**Outlook**
The Company's immediate priority is to complete the closing conditions necessary to obtain the PLI Financing needed to achieve commercial operations at the Invicta Gold Project and, potentially, positive cash flow from the Invicta Gold Project in 2017.

Additionally, the Company will continue to assess its mineral exploration and development opportunities for the Crucero Gold Project and the Josnitoro Gold Project, and conduct related activities as available cash resources allow.

**Going Concern**
Several adverse conditions cast significant doubt upon the validity of the going concern assumption.

As at June 30, 2017, the Company has a working capital deficit of $1,765,000, an accumulated deficit of $41,100,000, and negative cash flow from operating activities of $1,109,000.

Consequently, the Company's ability to continue as a going concern is dependent upon its ability to raise funds through the issuance of shares or sources of alternative financing. There is no certainty that sufficient financing can be obtained in the future.

At present, the Company's operations do not generate positive cash flows and its financial success is dependent on management's ability to discover economically viable mineral deposits. Mineral exploration and development processes can take many periods and are subject to factors that are beyond the Company's control.

In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company has typically raised capital through equity and loan financings. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and calibre of its management.

Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise capital as required in the long term, but recognizes there will be risks involved that may be beyond its control.

To date, the Company has implemented various and significant cost-cutting measures, primarily in the areas of administration, investor relations, and exploration, with the result that the Crucero Gold Project and Josnitoro Gold Project are currently being maintained on a care and maintenance basis only. For Invicta, management is focused on completing the conditions precedent necessary to obtain all of the PLI Financing as soon as possible.

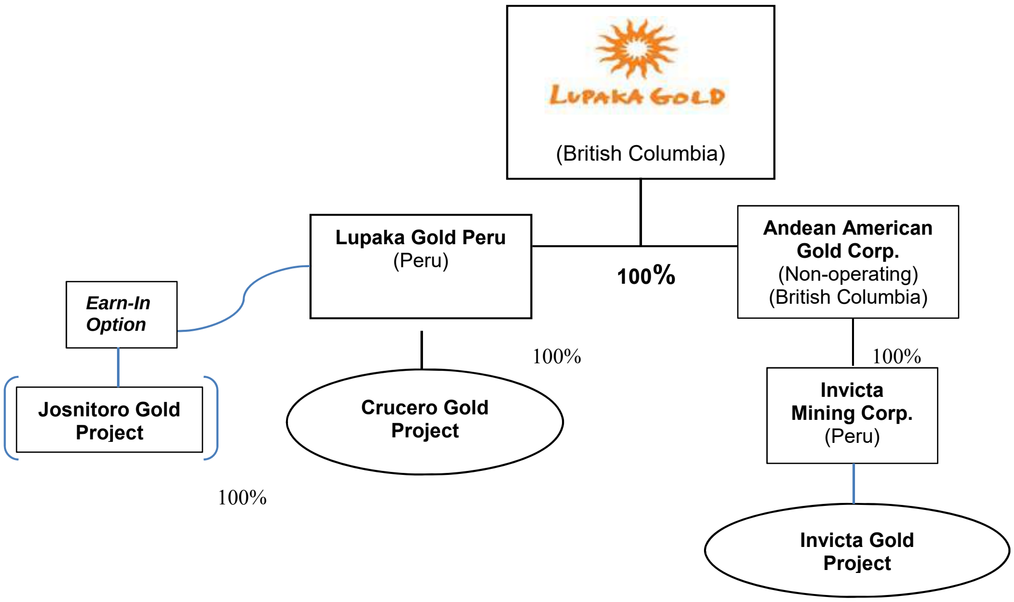
If the going concern assumption was not appropriate for the Company's Financial Statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used, and such adjustments would be material.

**Corporate Structure**
Lupaka Gold was incorporated under the *Company Act* (British Columbia) (predecessor to the British Columbia *Business Corporations Act*) on November 3, 2000 under the name "Kcrok Enterprises Ltd." and transitioned to the *Business Corporations Act* (British Columbia) on November 2, 2005. On May 4, 2010, the Company changed its name to "Lupaka Gold Corp.".

Lupaka Gold's head office and records office are located at Suite 220 - 800 West Pender Street, Vancouver, British Columbia, V6C 2V6, and its registered office is located at Suite 700 – 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

Lupaka Gold owns 100% of the issued and outstanding shares of LGP, a company incorporated as Minera Pacacorral S.A.C. on July 10, 2008 under the laws of the Republic of Peru and which changed its name in September 2013 to Lupaka Gold Peru S.A.C. Lupaka Gold also owns 100% of the shares of AAG as a result of its October 1, 2012 acquisition of AAG.

The following chart depicts the Company's corporate structure together with the jurisdiction of incorporation of the Company and its wholly-owned subsidiaries as of the MD&A Date. The entities below are active unless otherwise noted.




Other subsidiaries, all of which are 100%-owned, inactive and located in Peru, are:

- Andean Exploraciones S.A.C.
- Greenhydro S.A.C.

As at August 15, 2017, Lupaka Gold had a market capitalization of ~$18 million.

*Personnel*

The Company's corporate head office is located in Vancouver, Canada, while its Peru operations are conducted from LGP's office in Lima. With the exception of short-term operational requirements for its Peru operations, funds are maintained and controlled in Vancouver, in both Canadian and US Dollars.

As of June 30, 2017, the number of staff with the Company was as follows:

| Lupaka | June 30, 2016 | September 30, 2016 | December 31, 2016 | March 31, 2017 | June 30, 2017 |
|---|---|---|---|---|---|
| *Vancouver, Canada* | 5 | 5 | 5 | 5 | 5 |
| *Peru – Crucero/Josnitoro* | | | | | |
| Administration | 0 | 0 | 0 | 0 | 0 |
| Exploration & Technical | 0 | 0 | 0 | 0 | 0 |
| *Peru - Invicta* | | | | | |
| Administration | 5 | 5 | 4 | 3 | 3 |
| Exploration & Technical | 7 | 7 | 7 | 7 | 6 |
| Total | 17 | 17 | 16 | 15 | 14 |

Subject to available financing, the Company's plans to put the Invicta Gold Project into small-scale commercial production. As this occurs, the number of IMC production-related and technical staff will increase.

The number of exploration-related employees varies through the year as a result of the cyclical nature of the exploration season, site weather, and market conditions. Generally, the exploration season runs from May to December each year, due to seasonal weather conditions at the projects. Further, when drilling occurs, additional employees are required for drilling support services.

In addition to its staff located in Vancouver and Peru, the Company engages consultants when necessary, to provide geological, metallurgical and other corporate and technical consulting services.

Effective October 19, 2015, Gordon L. Ellis, Chairman, was appointed Chief Executive Officer and President of the Company, replacing Eric Edwards. Mr. Edwards remains a director of the Company.

**Business of the Company**

The Company is a gold mineral exploration and development company. Its principal activities consist of evaluating, acquiring, exploring and developing gold mining properties in Peru. Mineral exploration and development of mining properties are expected to constitute the principal business of the Company for the coming years. In the course of realizing its objectives, it is expected that the Company will enter into various agreements specific to the mining industry, such as purchase or option agreements to purchase mining claims, and enter into joint venture agreements.

Please see the Company's AIF for the history of the Company, including: 2010-2014 financings of Lupaka Gold, the acquisition of the Crucero Gold Project, agreements with K-Rok Minerals Inc. ("K-Rok", a related party and >10% shareholder of Lupaka Gold), the LGP Purchase Agreement, the Buyout of the LGP Vendors, the October 2012 acquisition of AAG (which included ownership of the Invicta Gold Project and a 17% interest in Southern Legacy), the acquisition of the Josnitoro Gold Project option and the Company's mineral project concession listings and related exploration history.

*Mineral Projects*

The Company's three projects are located within Peru as set out below:

## INVICTA GOLD PROJECT

The Company, through its October 2012 acquisition of AAG, owns 100% of the Invicta Gold Project which is located in the Province of Huaura, in the Department of Lima in northwest Peru, approximately 260 kilometres by road from the city of Lima.

The Invicta Gold Project has a mineralized resource estimate based on a technical report titled "NI 43-101 Technical Report on Resources, Invicta Gold Project, Huaura Province, Peru" dated April 16, 2012 and prepared by SRK Consulting (U.S.) Inc. (the "Invicta Technical Report", see www.sedar.com). The Invicta Technical Report was prepared in accordance with mineral resource standards and best practices established by the Canadian Institute of Mining ("CIM") and in compliance with the requirements of NI 43-101. The stated mineralized resource estimate is comprised of 967,000 equivalent ounces Au in the measured & indicated resource estimate category and 236,000 equivalent ounces Au in the inferred resources estimate category.

Please see the Company's AIF, re: "***Invicta Gold Project***" for: a history of the technical work conducted on the project; extracts from the SRK Technical Report; and the acquisition history of the project's concessions, including the Barrick Royalty Agreement.

A summarized extract from the SRK Technical Report, detailing the above-mentioned resource estimates, is shown below:

Mineral Resource Statement for the Invicta Gold-Silver-Copper-Lead-Zinc Deposit, Huaura Province, Peru, SRK Consulting (Inc.), April 6, 2012 [(1)]

| | Resource | Tonnes | Metal | | | | | | Contained Metal (000's) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Zone | Category | (000's) | AuEq (g/t) | Au (g/t) | Ag (g/t) | Cu (%) | Pb (%) | Zn (%) | AuEq Oz | Au Oz | Ag Oz | Cu Lbs | Pb Lbs | Zn Lbs |
| Total - All Zones | Measured | 131 | 6.65 | 4.29 | 31.71 | 0.73 | 0.39 | 0.38 | 28 | 18 | 133 | 2,119 | 1,110 | 1,105 |
| | Indicated | 8,513 | 3.43 | 2.09 | 15.65 | 0.42 | 0.24 | 0.28 | 939 | 573 | 4,285 | 79,048 | 45,171 | 53,482 |
| | *M + I* | *8,644* | *3.48* | *2.13* | *15.90* | *0.43* | *0.24* | *0.29* | *967* | *591* | *4,418* | *81,167* | *46,281* | *54,587* |
| | *Inferred* | *2,534* | *2.90* | *1.61* | *12.02* | *0.46* | *0.27* | *0.18* | *236* | *131* | *979* | *25,879* | *14,891* | *9,854* |

**(1) Notes:**

- Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimate will be converted into a Mineral Reserves estimate;
- Resources stated as contained within potentially economically mineable underground solids stated above a 1.3g/t Au Equivalent cut-off;
- The resource is stated at a 1.30 g/t gold equivalent cut-off contained within potentially economically mineable mineralized solids. Metal prices assumed for the gold equivalent calculation are US$1,500/oz for gold, US$32.50/oz for silver, US$3.90/lb for copper, US$1.05/lb for lead and US$1.00/lb for zinc. The gold equivalent calculation assumes 100% metallurgical recovery, and does not account for any smelting, transportation or refining charges.
- Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding;
- Mineral resource tonnage and grade are reported as diluted to reflect a potentially minable underground selective mining unit of 3.0m; and
- The resource model has not been depleted for historical artisanal mining as the location and extent of these workings are largely undocumented.

The Qualified Person for completion of this Mineral Resource Statement is Frank Daviess, MAusIMM under the direction of Jeffrey Volk, CPG, FAusIMM, Principal Resource Geologist with SRK.

The full technical report containing this Mineral Resource Estimate is available on www.sedar.com under Lupaka Gold Corp.'s profile, "Technical report NI 43-101 - English" (Date of Filing: August 20, 2013).

### *Invicta Production Plans*
At present, the Invicta Gold Project is in a pre-production stage, with the completion of pre-production development subject to obtaining necessary construction and working capital financing through closing the PLI Financing.

Management believes that a small-scale feasible Invicta operation can be achieved by implementing a full contractor-based mining model, including contract mine development (including safety bays, alternate escape ways, and ventilation circuit upgrades), contract mining, road construction and upgrades, contract transport and contract processing of Invicta's mineralized rock, thereby eliminating significant equipment capital and related finance risk to the operation and the Company.

Additionally, the planned mining operation would utilize the underground workings, camp facilities and roads built by previous owners at an internally-estimated cost of ~US$15 Million. The underground workings directly access the high-grade Au mineralized rock contained in the measured resource estimate in the Atenea Vein (see Figure 1 below).

Estimated pre-production capital expenditures total ~US$3.2 Million, comprised of:

| **Amount*** US$000's | **Description*** |
|---|---|
| 1,800 | Mine development comprised of underground ramps, safety bays and ventilation |
| 1,300 | Access road bypasses and upgrades |
| 135 | Other infrastructure |
| | |
| 3,235 | Total** |

* - based on internally-generated geology, engineering estimates and preliminary contractor quotes. Timeframes to commissioning of production may be extended based on metals prices, financing, permitting delays, contractor performance, and other factors beyond management's control.

**- does not include working capital.

Additionally, and subject to the availability of financing, the Company's long-term strategy is to acquire, and/or build its own local processing facility located much closer to Invicta than are existing toll processors, in order to achieve reduced transport costs and improved concentrate production margins and profitability. Initial cost estimates for a Company-owned facility are estimated at US$6-12 Million.

PLI Financing

On August 9, 2017, the Company announced that it had executed a second amendment (the "Amended Agreement") of the definitive Pre-Paid Forward Gold Purchase Agreement (the "Original Agreement") with PLI Huaura Holdings LP ("PLI"), a limited partnership organized under the laws of British Columbia, previously announced on June 30, 2016. The proceeds from the Amended Agreement will be used to fund the completion of development and initiate production at the Company's Invicta Gold Project ("Invicta"). PLI is an investment vehicle controlled by Pandion Mine Finance ("Pandion").

The gross proceeds (the "Gold Prepayment Amount") to be received will be US$7 Million (originally US$6.1 Million), payable in three tranches of US$2.5 Million ("Tranche 1", which has been received), US$2.0 Million ("Tranche 2") and US$2,500,000 ("Tranche 3").

The key condition precedent to the receipt of Tranche 2 is the completion of the registration of the Lacsanga community agreement in the Public Registry system in Peru. The key conditions precedent to the receipt of Tranche 3 include the perfection of PLI's mortgage charge against the Invicta concessions and the requirement for the Company to raise US$2 Million in additional capital.

As in the Original Agreement, each tranche will have a grace period of 15 months after which the Company will deliver to PLI a total of 22,680 (originally 19,530) ounces of gold over the following 45 months. For the repayment ounces, the Company will receive an amount per ounce of gold equal to the market price at the time, less a fixed discount. After the tranches have been repaid, the Company will have no further obligations under the Agreement. During the term of the Agreement, PLI will also share in the upside on any increase in metal prices.

The Company has the right to buy out and terminate the Amended Agreement at any time. The Company's obligations under the Amended Agreement will be secured by a first charge over the Company's assets.

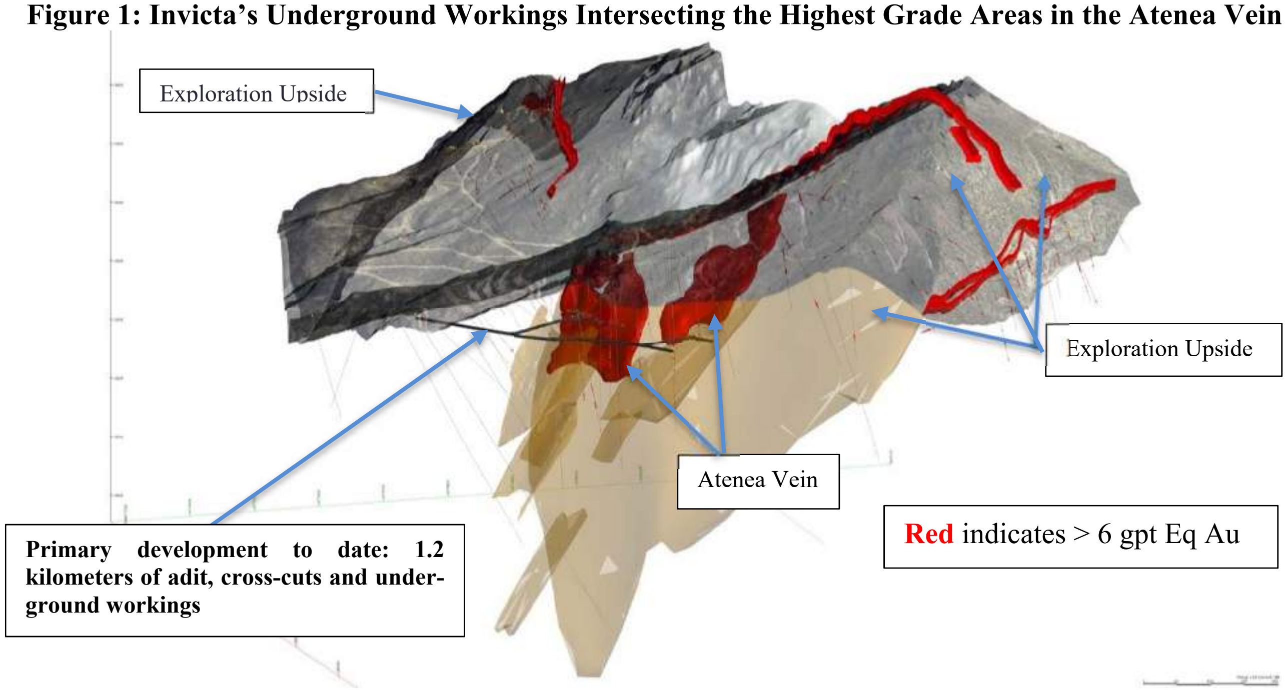
*Permitting*

The Company has been able to utilize a number of previously issued permits and technical reports for the Invicta Gold Project, re: the existing Invicta Environment Impact Assessment ("EIA") approved by the MEM in 2009 and amended in 2012; a Closure Plan for AAG's previously proposed 5,100 t/d of mineralized material mine plan which was approved by the MEM in January 2012 and which is presently being amended; a Certification of the Absence of Archaeological Ruins (CIRA) from the Ministry of Culture covering the area of the Invicta resources; an agreement with the community of Santo Domingo de Apache (the community that owns the surface rights for the concession on which the Invicta mineral resource estimate is located), as well as information from a number of technical studies completed by previous owners, including: metallurgy; rock mechanics; structural geology on the mine area; hydrology; hydrogeology; power line access from Andahuasi; and other engineering analyses.

In addition, the Company has received approval of its Mining Plan, a Certificate of Mining, a Global Explosives permit, and amended Invicta EIA and Closure Plans, as well as a pre-production-phase agreement from the community of Lacsanga, all of which allows the Company to complete pre-production development work. Once the necessary development items are satisfactorily completed, the Company will make application for a Certificate of the Start of Exploitation Activities.

The Company is also in the process of finalizing long-term exploitation-phase agreements with the communities of Lacsanga and Paran, which will provide access through community roads connecting the Invicta minesite to the main highway.

**Figure 1: Invicta's Underground Workings Intersecting the Highest Grade Areas in the Atenea Vein**



*Targeted Production*

Production is planned to initially target some of the highest grade gold and copper mineralization within the Atenea Vein, which contains the majority of the current Invicta gold resource. Based on internally-generated geology and engineering estimates, management believes that mineralized rock in the quantities and grades given in Table 1 below is readily accessible for extraction in the first 6 years of production from the mineralized resource estimates identified in the Invicta Technical Report.

The Company has identified sufficient resources within the block model, which are accessible by the existing mine development tunnels, to justify proceeding with engineering, technical studies, permitting and mine development -- those resource blocks are summarized in Table 1 below.

Measured and Indicated mineral resource mineralization will initially be targeted by the planned production plan. The mineral resources estimated in the SRK Technical Report are derived from block models. Table 1 below shows blocks of mineralization identified by those block models as Measured or Indicated mineral resource that are immediately accessible from the existing tunnel and cross-cut work.

Note, timeframes for the commissioning of production from the identified mineralization may be extended depending on metals prices, ability to finance, permitting delays, contractor performance, and other factors beyond management's control.

Management believes that the high-grade mineralization within the existing Invicta mineralized resource estimate envelope could be extended as development advances and exploration is conducted from underground to define those zones. The Company will pursue known high grade drill intercepts with definition/infill drilling as development allows.

**Table 1: Resource Block Model Mineralization Accessible from Existing Infrastructure**

| Invicta Block Model | Elevation m | Tonnes T | Width m | Au g/t | Ag g/t | Cu % | Pb % |
|---|---|---|---|---|---|---|---|
| | 3359 | 159,751 | 18.36 | 6.43 | 33.25 | 1.13 | 0.25 |
| | 3383 | 154,010 | 13.53 | 5.48 | 29.74 | 0.84 | 0.37 |
| | 3407 | 163,812 | 14.92 | 5.26 | 40.89 | 0.91 | 0.56 |
| | 3431 | 101,200 | 7.91 | 5.2 | 45.31 | 0.94 | 0.55 |
| | 3455 | 81,431 | 14.22 | 4.32 | 38.45 | 0.89 | 0.26 |
| Total | | 660,204 | 14.27 | 5.47 | 36.82 | 0.95 | 0.4 |

In mid-2014, the Company completed a sampling and mapping program on mineralization exposed within the existing drift and cross-cut development at the 3,400 metre level, which lies within the existing mineral resource estimate envelope.

Two main adjacent mineralized veins within the Atenea Vein were identified and correlated separately, with assay values averaging as follows:

| **Atenea Vein** | Length Metres | Width Metres | Au gpt | Ag gpt | Cu % | Pb % | Zn % |
|---|---|---|---|---|---|---|---|
| Footwall Split | 105 | 6.40 | 6.38 | 83.00 | 1.68 | 0.79 | 0.75 |
| Hanging wall split | 125 | 6.16 | 2.15 | 59.22 | 1.52 | 1.87 | 0.70 |

Management believes that the above-noted program confirms that the mineralization exposed in the existing workings is consistent with the Company's understanding of the mineralization that is being initially targeted in the Invicta production plans.

**Cautionary Note Regarding the Invicta Production Decision**

*The decision to commence pre-production permitting, engage technical consultants and update internal studies for the Invicta Gold Project was based on economic models prepared by the Company in conjunction with management's knowledge of the property and the existing preliminary estimates of the measured, indicated and inferred mineral resources on the property. The decision was not based on a preliminary economic assessment, a pre-feasibility study or a feasibility study of mineral reserves demonstrating* *economic and technical viability. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with this production decision, in particular the risk that mineral grades will be lower than expected, the risk that construction or ongoing mining operations are more difficult or more expensive than expected, the risk that the Company will not be able to transport or sell the mineralized rock it produces to local custom toll mills on the terms it expects, or at all; production and economic variables may vary considerably, due to the absence of a detailed economic and technical analysis according to and in accordance with NI 43-101. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves.*

*Metallurgical studies*
A series of metallurgical tests were conducted on samples of the Invicta mineralization, with the results being announced by the Company on October 28, 2014 (see www.lupakagold.com News / 2014 News Releases).

Bulk Sample Testing
On June 16, 2015, the Company announced that it had excavated approximately 900 tonnes of mineralized rock at the Invicta Gold Project from three available faces underground at the 3400 level of the Atenea Vein. This bulk sample mining was completed in preparation for transport to a third-party toll mill for bulk process testing.

*Bulk Sample 1*
On October 27, 2015, the Company announced the results obtained from the processing of its first run-of-mine bulk sample comprised of 342 tonnes of Invicta mineralized rock, achieving total recoveries of 83.6% for Gold and 95.5% for Copper. The processing test was run at a Peruvian toll mill in La Oroya under the supervision of Certimin S.A., the Company's metallurgical consultant, with the following results being obtained:

Copper/gold, lead/silver and zinc concentrate streams were produced over 6 days of processing, with concentrate tonnes and average grades per tonne achieved as shown below in Table 2.

**Table 2: Concentrate Tonnes and Grades Per Tonne 342 tonne average over six days**

| Concentrate Stream | Tonnes Con Prod | Au g/t | Ag g/t | Cu % | Pb % | Zn % | Fe % |
|---|---|---|---|---|---|---|---|
| Copper (Cu) | 16.1 | 88.0 | 1,032.1 | 28.8 | 6.4 | 4.5 | 25.5 |
| Lead (Pb) | 8.4 | 88.2 | 1,339.3 | 13.1 | 25.7 | 8.5 | 16.9 |
| Zinc (Zn) | 3.9 | 49.6 | 692.2 | 8.1 | 2.7 | 37.1 | 11.8 |

The overall average percentage recoveries for each of the three concentrate streams produced are shown below in Table 3.

**Table 3**

**Distribution of Metal Recovery (%)**

| Concentrate Stream | Au | Ag | Cu | Pb | Zn | Fe |
|---|---|---|---|---|---|---|
| Copper | 50.3 | 45.9 | 73.1 | 27.8 | 19.4 | 8.5 |
| Lead | 26.4 | 31.2 | 17.4 | 58.1 | 19.4 | 3.0 |
| Zinc | 6.9 | 7.5 | 5.0 | 2.8 | 39.5 | 1.0 |
| Total | 83.6% | 84.7% | 95.5% | 88.7.% | 78.3% | 12.4% |

Quality Control and Assurance

The analyses and the supervision for the above processing was carried out by Certimin S.A., an accredited consulting Lima, Peru firm, exercising a thorough Quality Assurance and Control program (QA/QC). Certimin is ISO 9001 certified for the metallurgical testing at a laboratory level, and ISO 14001, OHSAS and ISO 17025 certified for the preparation and assay of geochemical, metallurgical and environmental samples.

*Bulk Sample 2*

On January 21, 2016, the Company announced the results obtained from the processing of its second run-of-mine bulk sample comprised of 532 tonnes of Invicta mineralized rock, as follows:

A single bulk copper concentrate was produced with concentrate tonnes and grades per tonne achieved as shown below in Table 4.

**Table 4**

**Concentrate tonnes and grades per tonne from the 532t bulk sample**

| Concentrate Stream | Concentrate DMT | Au(1) g/t | Ag(1) g/t | Cu(1) % | Pb(2) % | Zn(2) % |
|---|---|---|---|---|---|---|
| Copper (Cu) | 47.58 | 58.5 | 648 | 15.2 | 11.11 | 9.63 |

(1) Based on a Mineral Assay Report prepared by ALS Perú S.A.
(2) Based on results obtained by the processor, Mineria y Exportaciones SAC ("Minex")

Overall average percentage recovery for each target metals in the concentrate are shown below in Table 5.

**Table 5**

**Distribution of Metal - Recovery of Metal in Concentrate Streams**

| Concentrate Stream | Au | Ag | Cu | Pb | Zn |
|---|---|---|---|---|---|
| | | | % | | |
| Copper | 87.52 | 91.18 | 91.52 | 90.03 | 90.13 |

The Company completed this bulk sample test at the Minex processing plant located in Nazca, south of Lima, Peru. The total tonnage received at the processing plant was 532 tonnes of which 432 tonnes was from recently extracted run-of-mine material and 100 tonnes was from low-grade stockpiled material. This processing plant has only one processing system, resulting in all of the material being blended and run as a single, un-optimized test.

*Technical Advisors*

The Company has engaged Aminpro S.A. and Certimin S.A. to perform metallurgical assessments and supervise the bulk sample processing of the mineralized rock from the Invicta Gold Project.

The Company has also engaged SVS Ingenieros of Lima Peru (a subsidiary of SRK Global Consulting) to provide mine engineering, production plan and project management consulting services for the Invicta mine operations.

***Community Relations and Social Responsibility***

Invicta staff continue to work diligently with the communities directly and indirectly affected by the Invicta Gold Project. These communities largely consist of farmers that mainly cultivate avocadoes and peaches along the local Andean slopes, approximately 2 kms or more from the Invicta Gold Project.

Two communities, called Lacsanga and Paran would be directly impacted by the transport of mineralized rock from an Invicta mining operation utilizing community-owned access roads.

To date, the Company has signed a 20-year agreement with the community of Santo Domingo de Apache, on whose land the Invicta resource is located.

The Company also has an agreement with the community of Lacsanga covering historical exploration and development, water access, and pre-production access road construction and upgrades. Discussions are continuing on long-term production-phase agreements with Lacsanga and Paran.

All agreements signed by the Company include long-term commitments to contribute to social development and to maintaining a close partnership with the surrounding communities.

***Concessions – Invicta***

Invicta contains a poly-metallic gold-copper underground deposit located within the group of 5 Victoria concessions acquired from Minera Barrick Misquichilca ("Barrick") as well as another concession (Invicta II) obtained by IMC through an acquisition and staking program undertaken prior to the Company's AAG acquisition.

The Company is, to its knowledge, in full compliance with all of its Invicta concession-holder requirements and confirms that the above-referenced concessions are in good standing.

During 2016, the Company decided to forego maintaining 40 concessions obtained under the aforementioned staking program, due to their very low exploration potential. Consequently, as at June 30, 2017, only the annual concession fees for the 5 Victoria concessions and the Invicta II concession have been paid and are current (Note, the Invicta mineralized resource estimate is located on the Victoria Uno concession). Additionally, the Victoria concessions are the only Invicta concessions for which the Company has recorded any carrying value. See the Company's AIF for a complete and detailed listing of the 46 concessions acquired as a result of the AAG acquisition.

Following is a continuity listing of the Company's exploration expenditures for Invicta to June 30, 2017, which the Company expenses for accounting purposes:

| | **6 months ended June 30, 2017** ($000's) | **6 months ended June 30, 2016** ($000's) | **Total from acquisition date* to June 30, 2017** ($000's) |
|---|---|---|---|
| Camp, community relations and related site costs | 317 | 99 | 3,117 |
| Project administration | 247 | 135 | 3,293 |
| Technical reports and external assays | – | – | 83 |
| Transportation, reclamation and professional fees | – | – | 147 |
| * - October 1, 2012 | 564 | 234 | 6,640 |

The carrying value of the Invicta mineral property as at June 30, 2017 is $11,121,000 ($11,132,000 – December 31, 2016). The change in carrying value of $11,000 for the six months ended June 30, 2017 is due to changes in foreign currency translation rates that occurred between the Canadian Dollar and Peruvian Nuevo Sol from December 31, 2016 to June 30, 2017.

## CRUCERO GOLD PROJECT

The Crucero Gold Project is located in southeastern Peru in the Department of Puno, Province of Carabaya, District of Crucero, at an elevation of about 4,350 metres above sea level. The nearest town is Crucero, located 45 kms away from the Project. The closest city is Juliaca, about 150 kms to the south-southwest, which has an airport that is serviced by domestic flights that connect with Lima, the capital city of Peru, about 850 kms to the northwest.

Crucero is comprised of 5 100%-owned mining concessions (which are not subject to any royalty interest) and 3 mining concessions held under a 30-year assignment which expires in September 2038 (subject to a maximum of a 5% net smelter return royalty on all gold and other minerals produced from the assigned concessions, dependent on the price of gold).

The Crucero Gold Project hosts eleven identified geophysical magnetic anomalies, one of which (the "A-1 Zone") has a resource estimate based upon a technical report titled “Technical Report for the Crucero Property, Carabaya Province, Peru” dated October 22, 2013, which contains the pit-constrained resource estimate described below, and which has been filed on SEDAR (www.sedar.com). This technical report was prepared in accordance with mineral resource standards and best practices established by the Canadian Institute of Mining (“CIM”) and in compliance with the requirements of NI 43-101.

Until active exploration was suspended in 2014, exploration work on the Crucero project was concentrated on the A-1 zone and on expanding the gold resource ounces and tonnes within the mineralized A-1 resource envelope. This work was largely completed during 2013 and culminated with a conceptual whittle pit shell imposed on the Crucero A-1 resource in order to apply an economic constraint on the resource estimate, as more fully described below.

### *Amended and re-stated mineralized resource estimate*

An amended and re-stated A-1 Zone resource estimate titled “Technical Report For The Crucero Property, Carabaya Province, Peru, Effective Date: January 17, 2013, Amended and Re-Stated: October 22, 2013” (the “Crucero Technical Report”) was prepared by Gregory Mosher of Tetra Tech WEI Inc. ("Tetra Tech"), formerly Wardrop Engineering, of Vancouver, Canada, within the conceptual pit constraints provided by SRK Consulting (Vancouver, Canada). The full Crucero Technical Report can be found at www.sedar.com.

The Crucero Technical Report states an indicated mineralized resource estimate of 30.9 million tonnes at 1.009 gold grams per tonne (g/t) capped grade for 1,003,041 gold ounces and an inferred mineralized resource estimate of 31.2 million tonnes at 1.025 g/t capped grade for 1,027,806 gold ounces at the A-1 Zone. Mr. Mosher is a Qualified Person for these mineralized resource estimates, for the purposes of NI 43-101 and is not responsible for the conceptual pit.

Table 6 below summarizes the Company’s Crucero Gold Project mineralized resource estimates, at a 0.4 g/t cut-off threshold:

**Table 6: Summary of the Crucero Gold Project mineralized resource estimates**

| Resource Category | Tonnes | Au g/t Uncapped | Au g/t* Capped | Au oz (Troy) Uncapped | Au oz* (Troy) Capped |
|---|---|---|---|---|---|
| Indicated | 30,919,873 | 1.118 | 1.009 | 1,111,494 | 1,003,041 |
| Inferred | 31,201,648 | 1.143 | 1.025 | 1,146,219 | 1,027,806 |

* -- Gold grades capped at 17 g/t; 1 Troy Ounce = 31.10348 grams

Mr. Anoush Ebrahimi is a Principal Consultant with SRK Consulting, a "qualified person" as defined by NI 43-101 and independent of Lupaka Gold as defined by Section 1.5 of NI 43-101. He developed the conceptual pit using the parameters set out in the table below:

| Parameter | Value | Unit |
|---|---|---|
| Gold Price | 1,400.00 | US$/oz |
| Mining Operating Cost (Mineralized Material and Waste) | 1.50 | US$/t milled |
| Process Operating Cost | 13.00 | US$/t milled |
| General & Administrative | 2.00 | US$/t milled |
| Overall Pit Slope | 47 | Degrees |
| Gold Process Recovery | 90 | % |
| Mining Dilution | 5 | % |

***Development Going Forward***

Management believes that the extensions of the A-1 structure to the south and to the north hold the greatest potential for discovery of the next mineralized resource zone at Crucero – see Figure 2 below, the exploration of which is dependent upon the Company's available financial resources and prevailing market conditions.

<u>2014 Exploration and Technical Programs</u>

In 2014, the Company conducted a field surface exploration program and obtained results from outcrop rock chip samples of up to 5.49 grams per tonne ("gpt") for a 1.5 metre width at surface, located north of the Company's A-1 resource zone.

The 2014 field work consisted of detailed outcrop mapping and rock chip sampling. Samples were taken generally from 1.5 metre channels in outcrop, and included vein, veinlets and disseminated sulphide and host rock samples (see Table 2 below). Assay results were received on 21 samples taken north of the A1SC and on 62 samples taken on the southern end of the A1SC.

As a result of the 2013 and 2014 field work and assay values, the technical team proposed a number of drill target sites to test gold occurrence north of the A-1 Zone, and to trace the major structural controls north toward and including the A-8 Zone, see Figure 3 below. The A-8 Zone has always been a high-priority target due to its geochemical signature, ground magnetics anomaly, and the presence of strong mineralization evidencing quartz and sulphide veins and veinlets, and hydrothermal breccia with high Au contents at surface. These results are consistent with and complement the results obtained in 2013 and from earlier sampling and mapping campaigns previously reported.

This 2014 field work focussed on extending the boundaries of known mineralized zones within the A-1 Structural Corridor ("A1SC"), see Figure 2 and Figure 3 below, with the intention to identify and support drill locations for a future drilling program.

*Summary Mapping and Assay Results*

As a typical example of orogenic gold mineralization, the known exploration anomalies at Crucero are believed to be structurally controlled. Regional fault lines have been identified that provide the conduits for mineralizing fluids in the receptive carbonaceous slate-siltstone Ananea host formation. In turn, the Ananea is bound on both sides by igneous intrusive leading to the classic orogenic metamorphic environment. This series of geologic phenomenon is referred to as the A1SC.

The sampling and mapping work at the Crucero Gold Project confirmed that the A-1 style mineralization continues along structural controls to the northwest and within the host Ananea formation, see Figure 2 and Figure 3 below.

**Figure 2: Crucero's A-1 Structural Corridor & 2014 Field Work Areas**

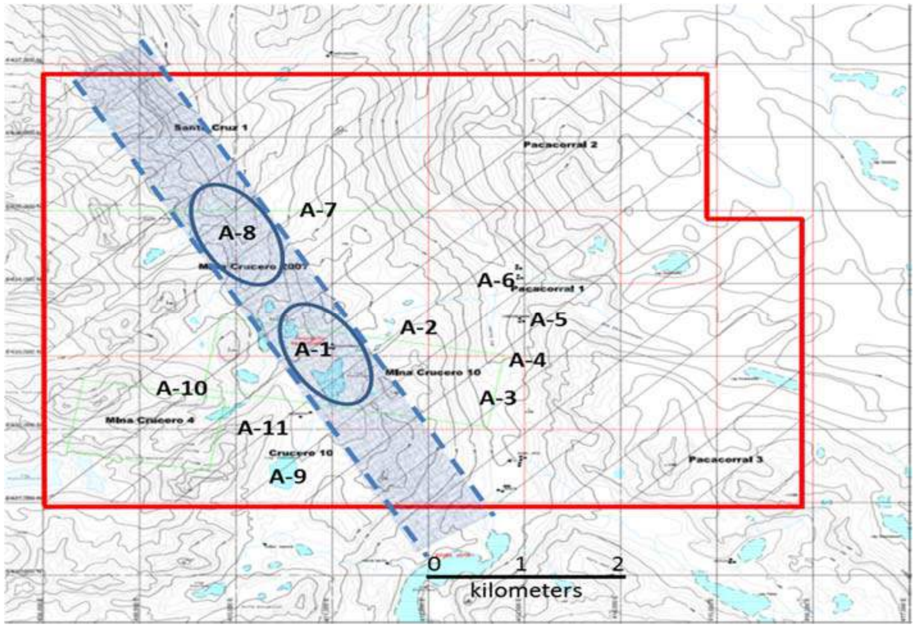
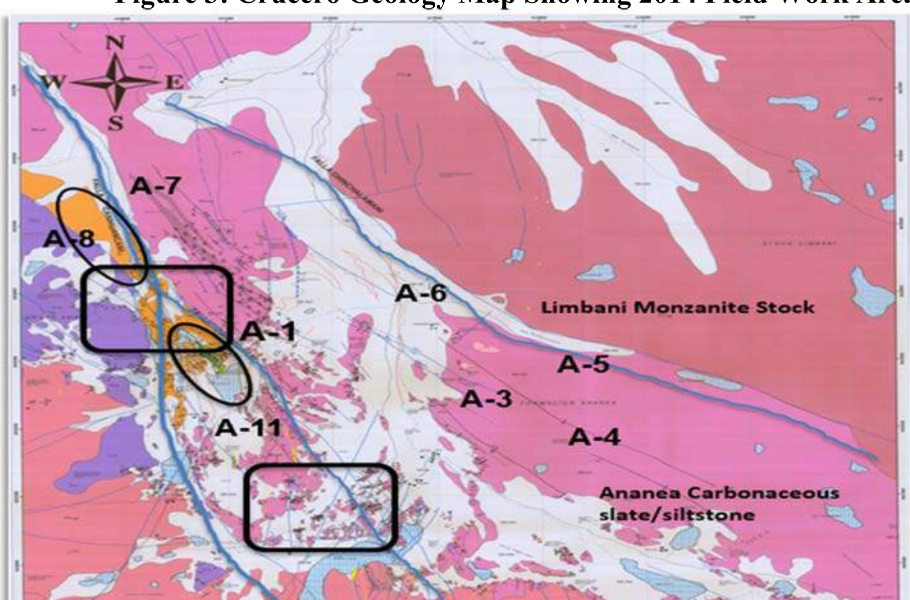



**Figure 3: Crucero Geology Map Showing 2014 Field Work Areas**




Regional fault structures are shown with typical NW and NNW orientation.

Bold rectangles outline the areas sampled and investigated in 2014.

**Table 7: Sample of Assay Results North of A-1 toward A-8 include:**

| Type | mts length x width | lithology | Area | Au_ppb | As_ppm | Sb_ppm |
|---|---|---|---|---|---|---|
| channel | 1.50 X 0.05 | quartzite, sct, diss py, veinlets wk | A-12 | 22 | 144 | 9 |
| channel | 1.50 X 0.05 | quartzite, sct, diss py, veinlets wk | A-12 | 136 | 562 | 8 |
| channel | 1.50 X 0.05 | quartzite,qtz-py-oxFe veinlets | A-12 | 5490 | 337 | 7 |
| channel | 1.50 X 0.05 | quartzite, sct, diss py, veinlets wk | A-12 | 348 | 628 | 12 |
| channel | 1.50 X 0.05 | quartzite, sct, diss py, veinlets wk | A-12 | 215 | 666 | 11 |
| channel | 1.50 X 0.05 | quartzite, sct, diss py, veinlets wk | A-12 | 62 | 72 | 10 |

Crucero gold in mineralization typically occurs associated with arsenopyrite, pyrrhotite and stibnite. Rock chip samples were assayed for ICP 36 element, and fire assayed for gold, arsenic and antimony. In most cases the correlation of gold to arsenic and antimony indicator metals is very high. Since arsenic is soluble and highly mobile, the exploration work at Crucero has focussed particularly on arsenic anomalies as an indicator of potential gold occurrence. As a typical orogenic gold occurrence, the Crucero geologic field work also consists of mapping rock outcrop in detail to determine lithology and structural features that control mineralization placement.

See the Company's AIF for further information on the exploration history, including drill program results, and metallurgical studies associated with Crucero.

***Community Relations, Environmental and Social Responsibility - Crucero***

Overall, the Company has the necessary community, environmental and water permits to conduct its exploration activities at the Crucero Gold Project.

Effective June 17, 2013, the community of Oruro voted to renew the Company's exploration agreement with the community, which expires September 17, 2017. The Company was recognized as having completed its obligations to the local community related to the past agreement which expired in May 2013, including road maintenance, road upgrades and veterinarian programs. The new agreement includes commitments by the Company for annual rental payments and infrastructure improvements in the community. The property at the Crucero Gold project is owned communally, and the renewal of this agreement gives the Company the legal rights to continue exploration on the Crucero Gold Project area.

In addition to a community agreement, the Company must secure access agreements from the individual families that have historically used certain locations for alpaca grazing. The Company has a number of family agreements in place to allow exploration field work at Crucero and plans to continue to secure access agreements as needed.

Surface rights on the Crucero Gold Project are held by the local community of Oruro and in the event that the Company advances the Crucero Gold Project to a mining operation, these rights must be acquired from the relevant communities by purchase or lease.

In August 2013, the Company received approval of a Category II Environmental Impact Assessment - Semi Detailed (the "EIA-SD") for the Crucero Gold Project from the Ministry of Energy and Mines of Peru. The EIA-SD allows the Company to continue and potentially expand its exploration of the Crucero Gold Project, and provides a framework under which the Company is able to apply for additional drill pad and road construction permits as required for its exploration activities. The EIA-SD also provides a streamlined permitting process.

***Concessions – Crucero***
See the Company's AIF for a complete and detailed listing of the 9 Crucero Gold Project concessions.

The Company is, to its knowledge, in full compliance with all of its Crucero Gold Project concession-holder requirements, and the above-referenced concessions are in good standing.

Following is a continuity listing of the Company's exploration expenditures, which the Company expenses for accounting purposes, for the Crucero Gold Project to June 30, 2017:

| | **6 months ended June 30, 2017** ($000's) | **6 months ended June 30, 2016** ($000's) | **Total from inception to June 30, 2017** ($000's) |
|---|---|---|---|
| Camp, community relations and related site costs | 140 | 2 | 5,313 |
| Project administration | 4 | – | 4,738 |
| Technical reports, external assays and related costs | – | – | 1,234 |
| Transportation, reclamation and professional fees | – | – | 1,020 |
| Drilling | – | – | 2,514 |
| | 144 | 2 | 14,740 |

The carrying value of Crucero as at June 30, 2017 is $17,524,000 ($17,541,000 – December 31, 2016). The change in carrying value of $17,000 for the six months ended June 30, 2017 is due to changes in foreign currency translation rates between the Canadian Dollar and Peruvian Nuevo Sol which occurred from December 31, 2016 to June 30, 2017.

## JOSNITORO GOLD PROJECT

Effective March 31, 2014, the Company entered into a definitive option agreement (the "Josnitoro Agreement") with Hochschild Mining plc ("Hochschild")) that will allow the Company to earn-in to a 65% interest in the Josnitoro Gold Project (the "Hochschild Option"). Josnitoro is an exploration stage gold and copper project with significant surface gold values in oxide veins and veinlets on the perimeter of a central oxide copper skarn (see Figure 4 below).

Josnitoro is located in the Department of Apurimac approximately 600 kilometres by road southeast of Lima in the Department of Apurimac. There are no communities or families living on the immediate mining concession areas. Three communities are located approximately 50 kms from the Josnitoro concessions, and own the surface rights.

During the Company's due diligence evaluation of Josnitoro, LGP's geologists visited the Josnitoro site and confirmed historical geologic mapping and conducted a limited confirmation sampling program. They sampled the disseminated gold zone, obtaining values of 9 grams gold per tonne ("g/t") at surface, and sampled the central copper skarn zone receiving values of 1.76% copper and 1.2 g/t gold (see - Figure 4 below). The Company believes that the mineralization of interest continues at depth and is controlled by structures and permeability of the host rock.

Pursuant to the Hochshild Option, the Company is the Josnitoro project operator and must pay 100% of the cost of the required earn-in activities. In order to exercise the Hochschild Option, the Company must maintain the related concessions in good-standing, obtain the required permits and licenses, including community agreements, and invest at least US$500,000 to obtain the aforementioned social and legal permits which shall enable the Company to start exploration by March 31, 2018.

Once the aforementioned permits and licenses have been obtained, the Company shall have an additional 3 years to complete at least 10,000 metres of drilling, of which 3,000 metres will have to be fulfilled in the event that the Company opts out from the foregoing agreement without having exercised the Hochschild Option.

Upon completing the PEA, the Company may exercise the option at which point a NEWCO will be formed, the mining concessions transferred, and the participating 65/35 joint venture established. Hochschild may buy back 30% of the joint venture (raising their interest to 65%) by paying three times the Company's incurred expenses plus a US$2,000,000 payment. If Hochschild elects to exercise its buy-back rights, they must notify the Company within 90 days of delivery of the PEA.

If Hochschild does not exercise its buy-back rights and retains its 35% JV interest, they may elect to convert this interest into a 5% net smelter return royalty ("NSR"). In that event, the Company may buy down the NSR to 1.5% (reducing by 3.5%) by making a one-time payment of US$10,500,000 in cash.

The carrying value of the Josnitoro Gold Project, for which no consideration has been paid, as at June 30, 2017 and December 31, 2016 was $Nil.

***Development Going Forward***

Community relations and permitting activities have commenced and are continuing at Josnitoro. Early approaches to the community and the artisanal miners operating in the copper oxide area, are making progress.

Management believes that the Company may be granted a social license in 2017 and could commence basic surface field exploration work at that time. Subject to available cash resources, exploration field work would focus on mapping and sampling the gold zones to assess the mineral potential and plan for a future drilling campaign. Field work would also begin with an objective to identify a regional geology mineral emplacement model and test the large copper skarn porphyry theory.

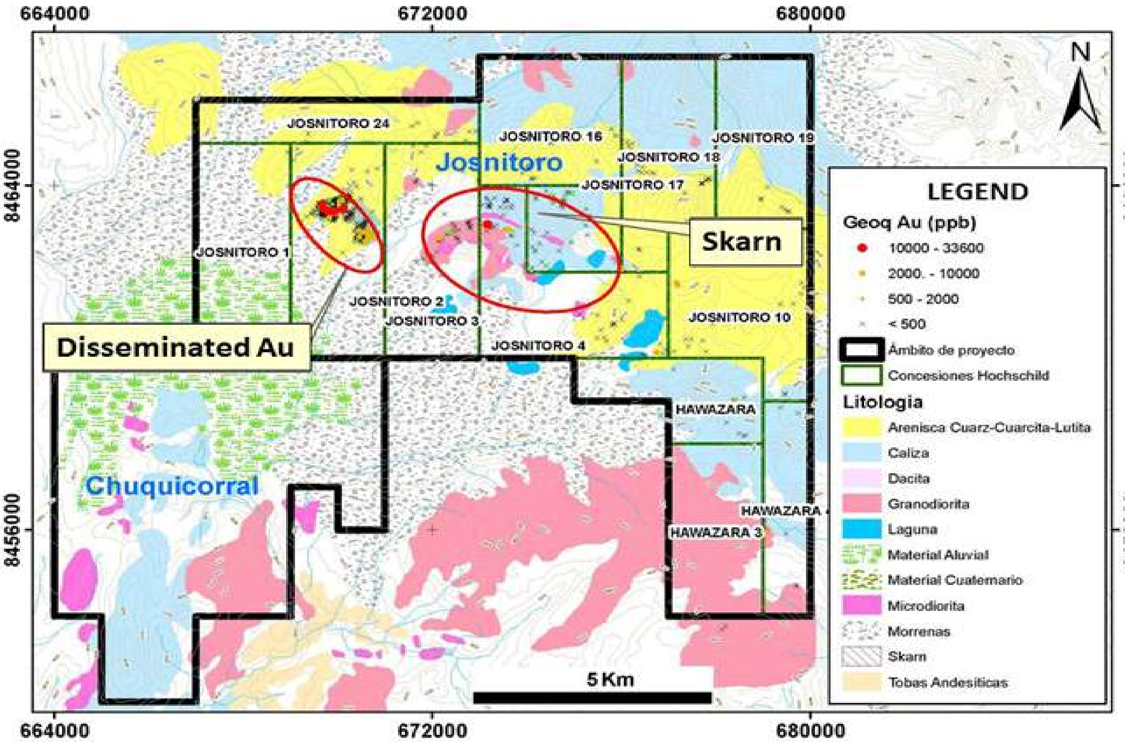
See the Company's AIF for information on the historical exploration work on the project which has consisted of geologic mapping and rock chip and trench sampling, and a listing of the concessions comprising this project.

It should be noted that the Company's geologists have visited the Josnitoro site and confirmed historical geologic mapping and conducted a limited confirmation sampling program. Company geologists sampled the disseminated gold halo zone, obtaining values of 9 grams gold per tonne ("g/t") at surface, and sampled the central copper skarn zone receiving values of 1.76% copper and 1.2 g/t gold.

The Company is now focusing on the core copper/gold skarn zone where the former Josnitoro owner, Minerales del Suroeste S.A., reported high-grade sampling results for copper (of 3 to 9 percent) from samples taken in 2008 from existing mining works and from the sacks of mineral rock accumulated by artisanal miners from a four km long corridor. Currently this area is being mined by local artisanal miners on a small scale of a few hundred tonnes per day. Processors and off-takers for the artisanal miners' mineralized rock report consistent high-grade (of 2 to 5 percent) copper with gold being delivered to two different plants that are processing material from the copper skarn.

*Readers are cautioned that the historical sample results and the related reported grades and the sampling, analytical and test data underlying the historical sample results and reported grades have not been verified by the Company. Further, the samples were selectively collected and may not have been subjected to modern quality assurance and quality control measures, and therefore the results may not be representative or reliable.*

**Figure 4: Josnitoro Gold Project Concession Package, Geology and Mineralization**




***Concessions – Josnitoro***

All of the Josnitoro Gold Project's 19 concessions lie within the Tumay Huaraca District of the Province of Andahuaylas in the Department of Apurimac. See the Company's AIF for a complete and detailed listing of the Josnitoro Gold Project concessions.

The carrying value as at June 30, 2017 and December 31, 2016 of the Josnitoro Gold Project, for which no consideration has been paid, was $Nil.

During the year ended December 31, 2016, the Company incurred approximately $268,000 ($236,000 – year ended December 30, 2015) in expenditures covering concession fees and site personnel for the Josnitoro Gold Project.

The Company is, to its knowledge, in full compliance with all of its Josnitoro Gold Project concession-holder requirements, and the above-referenced concessions are in good standing.

## SELECTED FINANCIAL INFORMATION

The following table presents selected unaudited quarterly operating results for each of the last eight quarters. Selected quarterly financial information is extracted from unaudited consolidated interim financial statements reported in accordance with International Financial Reporting Standards ("IFRS") applicable to preparation of interim financial statements, including IAS 34, Interim Financial Reporting:

**Financial Data for Last Eight Quarters (Unaudited)**

*In thousands of Canadian Dollars, except for per share amounts*

| **Three months ended** | **Jun-17** | **Mar-17** | **Dec-16** | **Sep-16** | **Jun-16** | **Mar-16** | **Dec-15** | **Sep-15** |
|---|---|---|---|---|---|---|---|---|
| Total revenues | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Exploration expenses | $418 | $314 | $330 | $471 | $401 | $303 | $144 | $241 |
| General and administrative expenses | $128 | $134 | $232 | $93 | $171 | $110 | $818 | $142 |
| Interest (income) | $Nil | $Nil | $Nil | $Nil | $Nil | $Nil | $Nil | $Nil |
| Accretion | $56 | $50 | $35 | $33 | $Nil | $Nil | $Nil | $Nil |
| Interest expense | $32 | $30 | $23 | $22 | $Nil | $Nil | $Nil | $Nil |
| Foreign exchange loss (gain) | $(4) | $(9) | $4 | $10 | $(10) | $(7) | $29 | $16 |
| Loss | $630 | $519 | $624 | $629 | $562 | $406 | $991 | $399 |
| Basic and diluted loss per share | $0.01 | $0.00 | $0.01 | $0.01 | $0.01 | $0.00 | $0.01 | $0.00 |

As the Company has not had any revenue-producing mineral properties to date, no mining revenues are reflected in the above table. Proceeds received from bulk sampling have been recorded as recoveries, netted against exploration expenses.

Factors that have caused fluctuations in the Company's quarterly results include: a severance payment accrual for the termination of Eric Edwards (as President and CEO) in October 2015, timing of the Company's exploration activities, the scope of any of the Company's investor relations programs, share-based compensation costs ("SBC"), accretion and interest expenses related to the Bridge Loans and foreign exchange gains or losses related to US Dollar-denominated monetary assets and liabilities when the Canadian Dollar exchange rate fluctuates.

In periods of loss, basic and diluted loss per share is the same because the effect of potential issues of shares would be anti-dilutive.

The Company operates in one segment, being mineral exploration and development, and all of its mineral properties are located in Peru, South America. The consolidated statements of loss, comprehensive loss and deficit for the periods presented reflect both the Company's Canadian and Peruvian operations. All of the Company's operating costs in Peru are expensed, in accordance with the Company's related accounting policy.

Financial results for the six months ended June 30, 2017 and 2016 are summarized as follows:

| | **Six months ended June 30** | |
|---|---|---|
| | **2017 ($000's)** | **2016 ($000's)** |
| **Operating expenses** | | |
| Exploration and development | 732 | 704 |
| General and administration | 262 | 280 |
| **Operating loss** | 994 | 984 |
| Accretion expense | 106 | – |
| Interest expense | 62 | – |
| Foreign exchange loss (gain) | (13) | (17) |
| **Loss for the period** | 1,149 | 967 |
| **Loss per share -** Basic and diluted | $0.01 | $0.01 |

***Three months ended June 30, 2017***

Compared to the three months ended June 30, 2016 notable expense variances were as follows:

*Exploration and development expenses*

Exploration expenses relate to the Peru operations of the Company and totalled $418,000 for 2017 compared to $400,000 for 2016, a net increase of $18,000 for the period:

- Camp, community relations and related costs – these expenses totalled $273,000 for 2017 compared to $51,000 for 2016, with the net increase of $222,000 being a result of:
  - An increase of $201,000 in Invicta pre-construction activities, and
  - A net increase of $21,000 in Crucero and Josnitoro costs vs 2016..
- Project administration – these expenses totalled $145,000 for 2017 compared to $349,000 for 2016, with the net decrease of $204,000 being a result of:
  - A decrease of $211,000 in Invicta activities; offset by
  - An increase of $7,000 in Crucero costs vs 2016.

*General and administration expenses*

All such expenses relate to the Canadian operations of Lupaka Gold and totalled $128,000 for 2017 compared to $171,000 for 2016, with the decrease of $43,000 being the result of:

- Salaries and benefits totalling $78,000 for 2017 compared to $50,000 for 2016, a net increase of $28,000, mostly due to $31,000 in higher SBC expense compared to 2016, offset by lower salaries and benefits;
- Shareholder and investor relations expenses totalling $2,000 for 2017 compared to $11,000 for 2016, a decrease of $9,000, reflecting a decrease in mailing and news release expenses;
- Professional and regulatory fees totalling $18,000 for 2017 compared to $81,000 for 2016, a decrease of $63,000, reflecting lower legal fees of $33,000, advisory fees of $16,000 and audit fees of $13,000; and offset by
- A small increase in office and general costs of $3,000.

*Accretion and interest expenses*

All such expenses relate to the Bridge Loans of Lupaka Gold and totalled $56,000 for accretion and $32,000 in the three months ended June 30, 2017 compared to $Nil in the same period of 2016.

***Six months ended June 30, 2017***

Compared to the six months ended June 30, 2017 notable expense variances were as follows:

*Exploration and development expenses*

Exploration expenses relate to the Peru operations of the Company and totalled $732,000 for 2017 compared to $704,000 for 2016, a net increase of $28,000 for the period:

- Camp, community relations and related costs – these expenses totalled $481,000 for 2017 compared to $230,000 for 2016, with the net increase of $251,000 being a result of:
  - An increase of $231,000 in Invicta pre-construction activities; and
  - A net increase in Crucero and Josnitoro exploration activities totalling $20,000.
- Project administration – these expenses totalled $251,000 for 2017 compared to $474,000 for 2016, with the net decrease of $223,000 being a result of:
  - A decrease of $236,000 for Invicta pre-production expenditures incurred; offset by
  - A net increase of $13,000 associated with the severance of Crucero Gold Project employees.

*General and administration expenses*

All such expenses relate to the Canadian operations of Lupaka Gold and totalled $262,000 for 2017 compared to $280,000 for 2016, with the decrease of $18,000 being the result of:

- Salaries and benefits totalling $157,000 for 2017 compared to $109,000, a net increase of $48,000, which mostly reflects higher SBC costs of $49,000;
- Shareholder and investor relations (“IR”) expenses totalling $12,000 for 2017 compared to $17,000 for 2016, a decrease of $5,000, reflecting few IR activities;
- Lower office and general, and travel costs by $3,000, primarily due to reduced travel costs;

- Professional and regulatory fees totalling $38,000 for 2017 compared to $96,000 for 2016, n decrease of $58,000, reflecting:
    - A decrease in legal fees of $26,000;
    - A decrease in audit costs of $15,000; and
    - A decrease in advisory costs of $17,000 due to Peruvian tax work in 2017.

*Accretion and interest expenses*
All such expenses relate to the Bridge Loans of Lupaka Gold and totalled $106,000 for accretion and $62,000 in the six months ended June 30, 2017 compared to $Nil in the same period of 2016.

Share-based compensation expenses
In accordance with the Company's accounting policy for share-based compensation, included in exploration, and general and administration expenses for the six months ended June 30, 2017 and 2016 were non-cash share-based compensation expenses (a non-cash expense reflecting the estimated value of share option benefits to option-holders for the period), in the expense categories noted below:

| | **Three months ended June 30** | | **Six months ended June 30** | |
|---|---|---|---|---|
| *In thousands of dollars* | **2017** | **2016** | **2017** | **2016** |
| Salaries and benefits | 39 | 16 | 89 | 40 |
| Shareholder and investor relations | 8 | 2 | 16 | 5 |
| Project administration | 6 | 1 | 14 | 5 |
| Camp and related | 3 | 2 | 7 | 3 |
| Total share-based compensation | 56 | 21 | 126 | 53 |

## LIQUIDITY AND CAPITAL RESOURCES

| *In thousands of dollars* | **June 30, 2017** | **December 31, 2016** |
|---|---|---|
| Cash and cash equivalents | 52 | 112 |
| Working capital (defined as current assets less current liabilities) | (1,765) | (1,975) |
| Total assets | 28,955 | 29,048 |
| Total liabilities | 3,326 | 3,087 |
| Shareholders' equity | 25,629 | 25,961 |

The principal changes in the Company's cash during the six months ended June 30, 2017 were as follows:

- Cash used in operating activities in the six months ended June 30, 2017 was $1,109,000 ($1,082,000 – six months ended June 30, 2016), principally to fund the Company's loss for the period of $1,149,000 ($967,000 – six months ended June 30, 2016), which was offset by non-cash charges including depreciation of $21,000 ($29,000 – six months ended June 30, 2016), and share-based compensation of $126,000 ($53,000 – six months ended June 30, 2016), accretion of $106,000 ($Nil – six months ended June 30, 2016), as well as a net decrease of $225,000 in non-cash working capital (net decrease of $180,000 – six months ended June 30, 2016). In the six months ended June 30, 2016, there was a $17,000 gain on disposal of equipment ($Nil – six months ended June 30, 2017).

- There was no investing activity in the six months ended June 30, 2017, compared with $20,000 in proceeds on the sale of equipment and $3,000 in purchases of equipment in the six months ended June 30, 2016.

- Net cash from financing activities in the six months ended June 30, 2017 totalled $1,054,000, including $109,000 in net proceeds from Bridge Loan 2 that closed on January 12, 2017, $298,000 in net proceeds for the private placement unit offering that closed on May 24, 2017, $597,000 in net proceeds from Bridge Loan 3 that closed on June 30, 2017 and $50,000 from the exercise of share purchase warrants. Net cash from financing activities in the six months ended June 30, 2016 totalled $1,275,000, consisting of $400,000 in proceeds from a February 2016 private placement, $725,000 in net proceeds from a bridge loan that closed on June 30, 2016 and $150,000 from exercises of Placement Warrants.

Total current liabilities as at June 30, 2017 totalled $1,890,000 ($2,143,000 - December 31, 2016), comprised of accounts payable and accrued liabilities, mostly for community and Invicta project-related obligations, as well as an accrued liability of $644,000 for severance due to the Company's former President & CEO. Long-term liabilities consisted of provisions for reclamation of $297,000 ($285,000 - December 31, 2016), the difference being attributable to a change in the related discount rate and changes in foreign exchange rates from December 31, 2016 to June 30, 2017, and the accreted balance of Bridge Loan 1 of $548,000 ($469,000 - December 31, 2016), Bridge Loan 2 of $179,000 ($Nil - December 31, 2016) and Bridge Loan 3 of $412,000 ($Nil - December 31, 2016).

**Bridge Loan Financings**

*Bridge Loan 1*

On June 30, 2016 (the "Bridge Loan 1 Closing Date"), the Company completed a bridge loan financing ("Bridge Loan 1") for gross proceeds of $750,000 with a group of third-party individuals (83%) and Insiders of the Company (17%). The Company paid $8,100 cash in finders' fees in connection with third-party investors and $16,300 in other costs.

Bridge Loan 1 is unsecured and bears simple interest at the rate of twelve percent (12%) per annum, calculated and payable semi-annually, with the first interest payment due on December 31, 2016 and each 6 months thereafter. The Bridge Loan 1 and accrued and unpaid interest is payable in full on or before the date that is two years after the Closing Date. Pursuant to the closing of Bridge Loan 1, the Company also issued share purchase warrants ("Bridge Loan 1 Warrants") as additional consideration for the loan – see Note 8.

In January 2017, the Company entered into Shares For Debt settlement agreements covering the Bridge Loan 1 interest payable as at December 31, 2016 with 6 creditors of the Company as well as the spouse of the Company's CEO, the personal holding company of the Company's CFO and a director of the Company, the latter three parties each being considered a related party, collectively, the "Creditors"), whereby the Company issued Common Shares at a price of $0.15 per share. Pursuant to the Shares For Debt Agreements, $45,000 of debt was settled and a total of 300,000 Common Shares were issued. The Common Shares issued in connection with the Shares for Debt transaction are subject to a statutory hold period of four months plus one day.

The recorded value of the Bridge Loan 1 balance as at June 30, 2017 has been calculated as follows:

| *In thousands of dollars* | Liability<br>$ | Equity<br>$ |
|---|---|---|
| Balance, January 1, 2016 | – | – |
| Bridge Loan 1 proceeds | 750 | – |
| Fair value of Bridge Loan 1 Warrants issued | (336) | 336 |
| Bridge Loan 1 issue costs allocated | (13) | (11) |
| Accretion | 68 | – |
| Balance, December 31, 2016 | 469 | 325 |
| Accretion | 79 | – |
| Balance, June 30, 2017 | 548 | 325 |

*Bridge Loan 2*

Effective January 12, 2017 ("Closing Date"), the Company completed a bridge loan financing ("Bridge Loan 2") for gross proceeds of $300,000 with a group of third-party individuals (67%) and Insiders of the Company (33%). The Company paid $Nil cash in finders' fees in connection with third-party investors, with the proceeds being used for general working capital purposes.

Bridge Loan 2 is unsecured and bears simple interest at the rate of twelve percent (12%) per annum, calculated and payable semi-annually, with the first interest payment due on June 30, 2017 and each 6 months thereafter. The Bridge Loan 2 principal and accrued and unpaid interest is payable in full on or before the date that is two years after the Closing Date, and pursuant to the closing of Bridge Loan 2, the Company issued share purchase warrants ("Bridge Loan 2 Warrants") – see Note 8.

The recorded value of the Bridge Loan 2 balance as at June 30, 2017 has been calculated as follows:

| *In thousands of dollars* | Liability<br>$ | Equity<br>$ |
|---|---|---|
| Balance, January 1, 2017 | – | – |
| Bridge Loan 2 proceeds | 300 | – |
| Fair value of Bridge Loan 2 Warrants issued | (147) | 147 |
| Bridge Loan 2 issue costs allocated | – | (1) |
| Accretion | 26 | – |
| Balance, June 30, 2017 | 179 | 146 |

*Bridge Loan 3*

Effective June 30, 2017 ("Closing Date"), the Company completed a bridge loan financing ("Bridge Loan 3") for gross proceeds of $600,000 with a group of third-party individuals (40%) and Insiders of the Company (60%). The Company paid $Nil cash in finders' fees in connection with third-party investors, with the proceeds being used for general working capital purposes.

Bridge Loan 3 is unsecured and bears simple interest at the rate of twelve percent (12%) per annum, calculated and payable semi-annually. The Bridge Loan 3 principal and accrued and unpaid interest is payable in full on or before three months after the Company receives any additional and/or new financing of at least $4.0 million or the date that is six months after the closing date, whichever is the earlier, and pursuant to the closing of Bridge Loan 3, the Company issued share purchase warrants ("Bridge Loan 3 Warrants") – see Note 8.

The recorded value of the Bridge Loan 3 balance as at June 30, 2017 has been calculated as follows:

| *In thousands of dollars* | Liability<br>$ | Equity<br>$ |
|---|---|---|
| Balance, January 1, 2017 | – | – |
| Bridge Loan 3 proceeds | 600 | – |
| Fair value of Bridge Loan 3 Warrants issued | (185) | 185 |
| Bridge Loan 3 issue costs allocated | (3) | 1 |
| Balance, June 30, 2017 | 412 | 186 |

**Outstanding Share Data**

As at the MD&A Date, the following securities were issued and outstanding:

- basic – 118,274,680 common shares
- fully-diluted – 153,740,535 common shares, after including:

- 26,800,855 common share purchase warrants, with a weighted average exercise price of $0.15; and
- 8,665,000 stock options, with exercise prices ranging from $0.06 to $0.45, of which 7,462,500 options are vested.

As at June 30, 2017, the Company's aggregate common share capital was $58,697,000 ($58,419,000 – December 31, 2016) representing 118,274,680 issued and outstanding common shares without par value (115,474,680 – December 31, 2016).

As at June 30, 2017, the Company had 35,173,355 share purchase warrants outstanding at a weighted average exercise price of $0.19 (28,173,355 at a weighted average price of $0.19 – December 31, 2016).

As at June 30, 2017, the Company had 8,665,000 stock options outstanding at a weighted average exercise price of $0.18 (8,672,500 at a weighted average price of $0.18 – December 31, 2016). During the six months ended June 30, 2017, 7,500 stock options at an exercise price of $0.16 were forfeited.

*Equity Issued*

On May 24, 2017, the Company completed a non-brokered private placement unit offering with a group of Insiders of the Company (78%) and third-party individuals (22%) to raise gross proceeds of up to $300,000. The Company issued 2,000,000 units (the "Unit") priced at $0.15 per Unit. Each Unit consists of one common share and one transferable common share purchase warrant (each, a "Unit Warrant"). Each Unit Warrant entitles the holder to purchase one additional common share, exercisable at $0.23 for a period of thirty-six months from closing.

During the six months ended June 30, 2017, 500,000 common shares were issued for proceeds of $50,000 on the exercise of 500,000 warrants at $0.10 per share and 300,000 common shares at a deemed price of $0.15 per share were issued to settle debt totalling $45,000.

During the year ended December 31, 2016, 3,146,429 common shares were issued for proceeds of $390,500 on the exercise of 1,517,142 share purchase warrants at $0.15 per share and 1,629,287 warrants at $0.10 per share. Of the warrants exercised, 1,919,761 were exercised by certain directors and officers of the Company for proceeds of $226,500.

On February 19, 2016, the Company closed a non-brokered private placement (the "February 2016 Placement") and issued 8,390,000 Units priced at $0.05 per Unit, for gross proceeds of $419,500. For the February 2016 Placement, each Unit consists of one common share and one transferable common share purchase warrant (the "Placement Warrant"). Each Placement Warrant entitles the holder to purchase one additional common share, exercisable at $0.10 for a period of thirty-six months from closing. No Insiders of the Company participated in the February 2016 Placement and finders' fees to arm's-length parties consisted of $16,110 in cash. Other share issue costs totalled approximately $3,500.

## Accumulated Deficit

The Company's accumulated deficit was $41,100,000 as at June 30, 2017 ($39,951,000 - December 31, 2016), with the increase in deficit of $1,149,000 reflecting the loss incurred for the six months ended June 30, 2017.

## Dividends

There are no restrictions that could prevent the Company from paying dividends on its common shares.

The Company has not paid any dividends on its common shares and does not intend to pay any dividends in the foreseeable future. It is the Company's intention to use all available cash flows to finance further operations and exploration of its resource properties.

## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

**Transactions with Related Parties**
Except for the accrual of interest owing for Bridge Loan 1 and Bridge Loan 2 to related parties, the Company otherwise had no related party transactions during the six months ended June 30, 2017.

**Lease Commitment**
The Company's remaining payments for its Vancouver, Canada office lease, which expires March 31, 2018 total $24,000 as at June 30, 2017.

**Contingent liability – SUNAT**
In 2008, the Peruvian tax authority, SUNAT, completed an audit of the tax filings of a former AAG Peruvian subsidiary named El Misti Gold ("EMG") for the years 2002 to 2004, and challenged the deductibility of certain property write-offs and foreign exchange losses in those filings. Subsequent to 2008, EMG transferred and/or sold its assets to various entities, including the sale of 13 concessions to IMC that are the source of these SUNAT tax filing challenges. Additionally, EMG no longer exists as a legal entity in Peru.

As the SUNAT challenges for 2003 and 2004 are mainly based on the insufficiency of the carry-forward losses according to SUNAT's determination of EMG's tax obligation of 2002, the result of the 2002 proceeding will have a direct impact on the proceedings of 2003 and 2004. Consequently, the 2003 and 2004 tax proceedings were revoked by the Tax Court, as the existing claims for 2002 need to be resolved first. However, such revocations do not fully terminate and discharge the tax contingency, given that once the Tax Court rules on the 2002 proceeding, SUNAT would be entitled to recalculate the corresponding interest and penalties and, if applicable, pursue action.

The Company has been advised by legal counsel that SUNAT could subsequently initiate an action against IMC as (being) jointly and severally liable for EMG's tax contingencies in order to collect, at a minimum, the 2002 tax assessment of ~US$365,000 (excluding interest).

In the event that the Company is not successful in its appeal of the 2002 tax proceeding or SUNAT chooses to initiate collection action against IMC, management has been advised by Peruvian legal counsel that the maximum value of the related contingent tax assessment would be capped at the market value of the concessions sold by EMG to IMC at the time, which is estimated by an independent valuator to be ~US$110,000.

As at June 30, 2017, no loss provision has been made for the above-noted remaining SUNAT assessment(s) in these consolidated financial statements, as neither the probability or the amount of the contingent amount can be reasonably estimated.

**Adoption of new and amended IFRS pronouncements**
Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2015. Pronouncements that are not applicable to the Company have been excluded from the following. The following pronouncement has been issued but is not yet effective:

IFRS 9 - Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments ("IFRS 9") to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

**Significant accounting judgments and key sources of estimate uncertainty**

In preparing its consolidated financial statements, the Company is required to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the annual financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgments used in developing and applying the accounting policies are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis.

*Significant accounting judgments*
The following are the significant judgments, apart from those involving estimates, that management made in the process of applying the Company's key accounting policies and that have the most significant effect on the amounts recognized in the annual financial statements.

Going concern assumption – presentation of the annual financial statements which assumes that the Company will continue in operation for the foreseeable future, obtain additional financing as required, and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

Determination of functional currency – the functional currency is the currency of the primary economic environment in which an entity operates. This involves evaluating factors such as the dominant currency that influences local competition and regulation, the currency that is used to pay local operating costs, and the currency used to generate financing cash inflows. The evaluation of these factors is reviewed on an ongoing basis.

Determination of cash-generating units – for the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows or outflows (cash-generating units). In management's judgment, the Company has two cash-generating units ("CGUs") based on the evaluation of the smallest discrete group of assets that generate cash flows.

Impairment of mineral properties – the carrying value of the Company's mineral properties is reviewed by management at each reporting period, or whenever events or circumstances indicate that the carrying value may not be recovered. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

Recognition of deferred income tax assets - the decision to recognise a deferred tax asset is based on management's judgment of whether it is considered probable that future taxable profits will be available against which unused tax losses, tax credits or deductible temporary differences can be utilized.

No loss provision regarding possible additional tax assessments – the decision that no loss provision be made regarding the challenge to the deductibility of certain property write-offs and foreign exchange losses by SUNAT, the Peruvian tax authority, is based on the Company's opinion that the deductions are legitimate and can be successfully defended in the appeals process available under Peruvian law.

*Key sources of estimate uncertainty*
The following is information about the significant areas of estimation uncertainty in applying accounting policies that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Reclamation obligations – provision is made for the anticipated costs of future reclamation and rehabilitation of mining areas which have been altered due to exploration activities and/or from which natural resources have been extracted to the extent that a legal or constructive obligation exists. These provisions include future cost estimates associated with reclamation, the calculation of which requires assumptions such as application of environmental legislation, available technologies and engineering cost estimates. A change in any of the assumptions used may have a material impact on the carrying value of reclamation provisions.

**Accounting Policies**

The Company's accounting policies are as disclosed in Note 3 of the audited annual consolidated financial statements for the year ended December 31, 2016.

**Financial Instruments**

Financial assets and liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Upon initial recognition, financial assets and liabilities are measured at fair value plus or less transaction costs, that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for those financial assets and liabilities classified as fair value through profit or loss, for which the transaction costs are expensed.

*Financial assets and liabilities*

The Company’s financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables and loans.

All financial assets and liabilities are recognized when the Company becomes a party to the contract creating the item. On initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods depends on whether the financial instrument has been classified as “fair-value-through-profit-and-loss”, “available-for-sale”, “held-to-maturity”, “loans and receivables”, or “other financial liabilities”. The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition. Financial liabilities are classified as either financial liabilities at “fair-value-through-profit and loss” or “other financial liabilities”. Financial liabilities are classified as “fair-value-through-profit and loss” when the financial liability is either ‘held for trading’ or it is designated as “fair-value-through-profit and loss”.

*Financial risk factors*

(a) Financial risk exposure and risk management

The Company’s activities expose it to a variety of financial risks, which include liquidity, market, foreign exchange, interest rate, and commodity price risks. Financial risk management is carried out by the Company's management team with oversight from the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

**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 its liquidity risk through the management of its capital structure and assets – see Liquidity and Capital Resources (re: going concern).

At June 30, 2017 and December 31, 2016, the Company's contractual obligations (undiscounted) and their maturity dates were as follows:

| In thousands of dollars | June 30, 2017 $ | December 31, 2016 $ |
|---|---|---|
| Trade payables and accrued liabilities (within 12 months) | 1,809 | 2,143 |
| Bridge Loan 1 (2-year term) | 750 | 750 |
| Bridge Loan 2 (2-year term) | 300 | 190 |
| Bridge Loan 3 (6-month term) | 600 | – |
| Total | 3,459 | 3,083 |

**Market risk**
Market risk is the risk of loss that may arise from changes in market factors such as foreign exchange rates, prices, interest rates, and commodity prices.

*Foreign exchange risk*
The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has subsidiaries that operate in Peru and as such, a portion of its expenses are incurred in Peruvian Nuevo Soles and US Dollars. A significant change in the currency exchange rates could have an effect on the Company's results of operations. The Company has not hedged its exposure to currency fluctuations.

*Interest rate risk*
The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents. There is minimal risk that the Company would recognize any significant loss as a result of a decrease in the fair value of any short-term investments as a result of fluctuations in interest rates included in cash and cash equivalents, due to their short-term nature.

*Commodity price risk*
Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold has fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for gold. A decline in the market price of gold may also require the Company to reduce its mining interests, which could have a material and adverse effect on the Company's value. As of June 30, 2017, the Company was not a gold producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

(b) Fair value of financial instruments

IFRS 7 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 – valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities)

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate carrying value because of their short term nature.

At June 30, 2017 and December 31, 2016, there were no financial assets or liabilities measured and recognized in the consolidated statement of financial position at fair value that would be categorized as Level 2 or Level 3 in the fair value hierarchy above.

**Disclosure Controls and Procedures**

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim consolidated financial statements for the six months ended June 30, 2017 and this accompanying MD&A (together, the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at www.sedar.com.

**Risk Factors** – in addition to the Going Concern assumption/risk and the Cautionary Note Regarding the Invicta Production Decision noted above, the Company's Risk Factors are fully set out in its AIF, which is available at www.sedar.com.