MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the audited consolidated financial statements of Lupaka Gold Corp. ("Lupaka Gold") and the notes thereto for the years ended December 31, 2014 and 2013 (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 twelve month periods ended December 31, 2014 and 2013, and the Company's financial condition as at December 31, 2014, as compared with the prior year-end.

The effective date of this MD&A is March 26, 2015 (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 audited consolidated financial statements and its 2014 Annual Information Form (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 March 26, 2015.

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 2015 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; 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 cannot 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 are listed for trading in Canada on the TSX Venture Exchange ("TSX.V"), in Peru on the Bolsa de Valores de Lima ("BVL", otherwise known as the Lima Stock Exchange) under the symbol LPK, and in Germany on the Frankfurt Exchange ("FRA") under the symbol LQP.

The Company's activities and events of note for the last twelve months are as follows:

- On February 25, 2015, the Company announced that it had been granted a Certificate of Mining ("COM") permit for mining and development work activities at the Invicta Gold Project (see "***Mineral Projects /Invicta Gold Project***" below for additional details);

- The Company announced on February 17, 2015 that its common shares would be delisted from the Toronto Stock Exchange after the close of trading that day and immediately listed on the TSX Venture Exchange with no interruption in trading. The decision to move to TSX.V was made to reduce the Company's costs of maintaining its listing and for greater flexibility as the Company pursues its growth strategy;

- On December 8, 2014 the Company announced that it had been granted the permits and licenses necessary to commence mine preparation and development work at the Invicta Gold Project. These licenses and permits were granted as a result of the regulatory acceptance of the Company's Mining Plan for Invicta (see "***Mineral Projects /Invicta Gold Project***" below for additional details);

- The Company released the results of metallurgical studies for the Invicta Gold Project mineralization on October 28, 2014 (see "***Mineral Projects /Invicta Gold Project***" below for additional details);
- On August 7, 2014, the Company announced that it had completed a non-brokered private placement of common shares for total gross proceeds of $1,610,000 (see "***Outstanding Share Data***" below for additional details), and had sold its shareholdings in Southern Legacy Minerals Inc. (see "***Investment in Southern Legacy***" below) for net proceeds of approximately $995,000;

- The Company provided the results of its recent field surface exploration work at the Crucero Gold Project on July 24, 2014. This work consisted of detailed outcrop mapping and rock chip sampling (see "***Mineral Projects / Crucero Gold Project***" below for additional details); and

- On March 17, 2014, June 19, 2014 and July 10, 2014, the Company provided updates regarding the permitting process, licensing and certification applications, contractor proposals, mining consulting firm engagements and assay results for the mineralization at the hanging wall and footwall, all related to putting the Invicta Gold Project into production at approximately 300 tonnes/day by March 2015 (see "***Mineral Projects /Invicta Gold Project***" below for additional details).

Outlook

The Company's priority for 2015 is to commence commercial operations and generate cash flow from the Invicta Gold Project. This operational effort will initially focus on obtaining the remaining permits and contractor and community agreements necessary to mine, transport and process Invicta mineralized rock into saleable gold/copper and zinc concentrates. Additionally, the Company will continue its mineral exploration and development activities on the Crucero Gold Project and the Josnitoro Gold Project, as available cash resources allow.

Management will continue to evaluate available capital financing alternatives necessary to fund the remaining estimated US$2,012,000 of expenditures needed to put the Invicta Gold Project into production as planned.

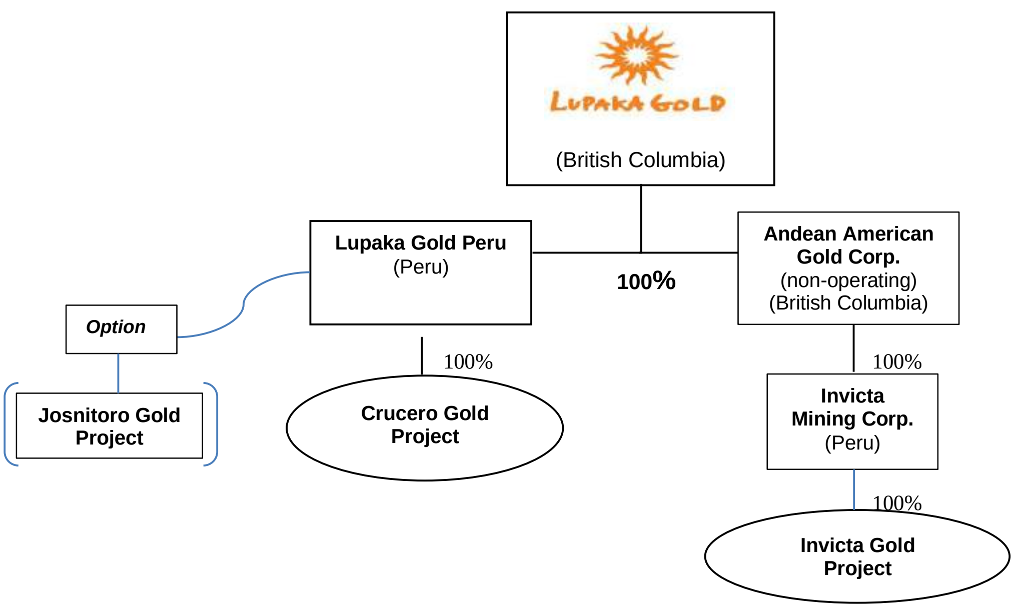
Corporate Structure

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 March 26, 2015, Lupaka Gold had a market capitalization of approximately $13.4 million.

The Company's executive head office is located in Vancouver, Canada, while its Peru operations are run from LGP's Lima office. 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 December 31, 2014, the number of employees of the Company was as follows:

Lupaka	December 31, 2013	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Vancouver, Canada	6	5	5	5	5
Peru – Crucero/Josnitoro					
Administration	8	5	5	5	5
Exploration & Technical	24	16	15	9	9
Peru - Invicta					
Exploration & Technical	6	6	5	4	3
Total	44	32	30	23	22

The number of exploration-related employees varies through the year as a result of the cyclical nature of the exploration season, site weather and available financial resources. 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.

As a result of the Company's plans to put the Invicta Gold Project into production, the number of IMC administrative and technical staff is expected to increase later in 2015.

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.

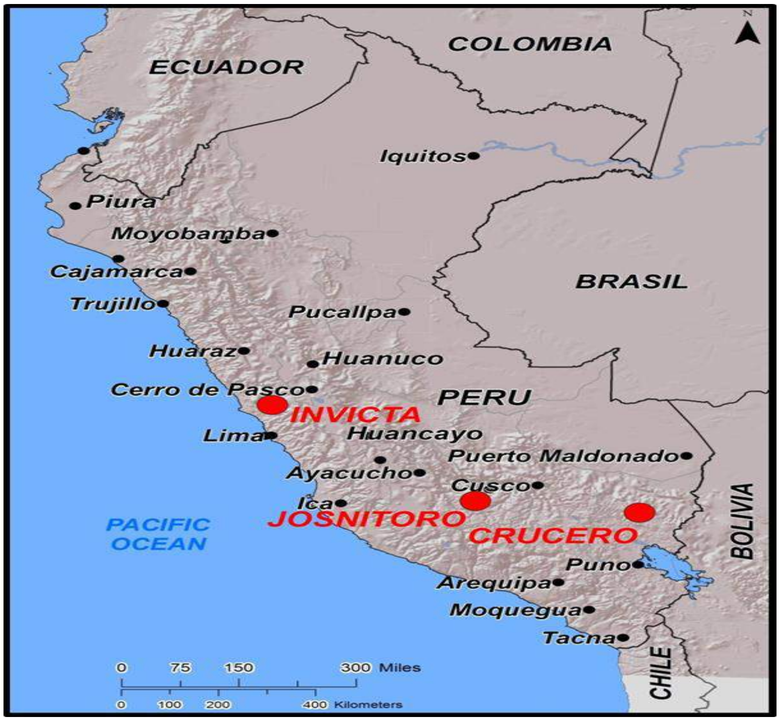
Effective February 11, 2015, director Hernan Barreto resigned from the Company's board of directors in order to devote more time to his other endeavours. Lupaka's management thank Mr. Barreto for his service to the Company.

Business of the Company

The Company is a gold mineral exploration 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: 2010-2013 financings of Lupaka Gold, the acquisition details for 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 Josnitoro Gold Project and the Company's mineral project concession listings and related exploration history.

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



INVICTA GOLD PROJECT
The Company, through its October 2012 acquisition of AAG, owns 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)**

Zone	Resource Category	Tonnes (000's)	Metal						Contained Metal (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.

Invicta Production Plans

At present, the Invicta Gold Project is considered to be in a pre-construction stage.

Management believes that an Invicta mining operation working at a capacity of approximately 300 tonnes per day can be permitted and be operational in 2015, for total remaining capital expenditures of approximately US$2,012,000, comprised of:

Amount* US$000's	**Description**
850	Mine development comprised of underground ramps, safety bays and miscellaneous tunnel work
300	Surface facilities and other infrastructure
450	Mine road upgrades
150	Permitting, engineering and technical studies
262	Contingency (15%)
2,012	

***** - based on internally-generated geology and engineering estimates. Timeframes to commissioning of production may be extended based on metals prices, ability to finance, permitting delays, contractor performance, and other factors beyond management's control. These amounts do not include costs associated with community agreements and administrative and operating personnel.

The Company has been able to utilize a number of previously issued permits and technical reports, 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 and a Certificate of Mining (as announced on February 25, 2015), which allows the start of mine development work. Such work will require the use of explosives, for which application has been made and approval of which is expected by early Q2-2015.

The remaining necessary certificates and permits, covering approval of: the final amended Invicta EIA; a final amended Closure Plan; and the Start of Exploitation Activities, are expected to be received within the next three months and within a project schedule for commencing commercial operations before the end of 2015.

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

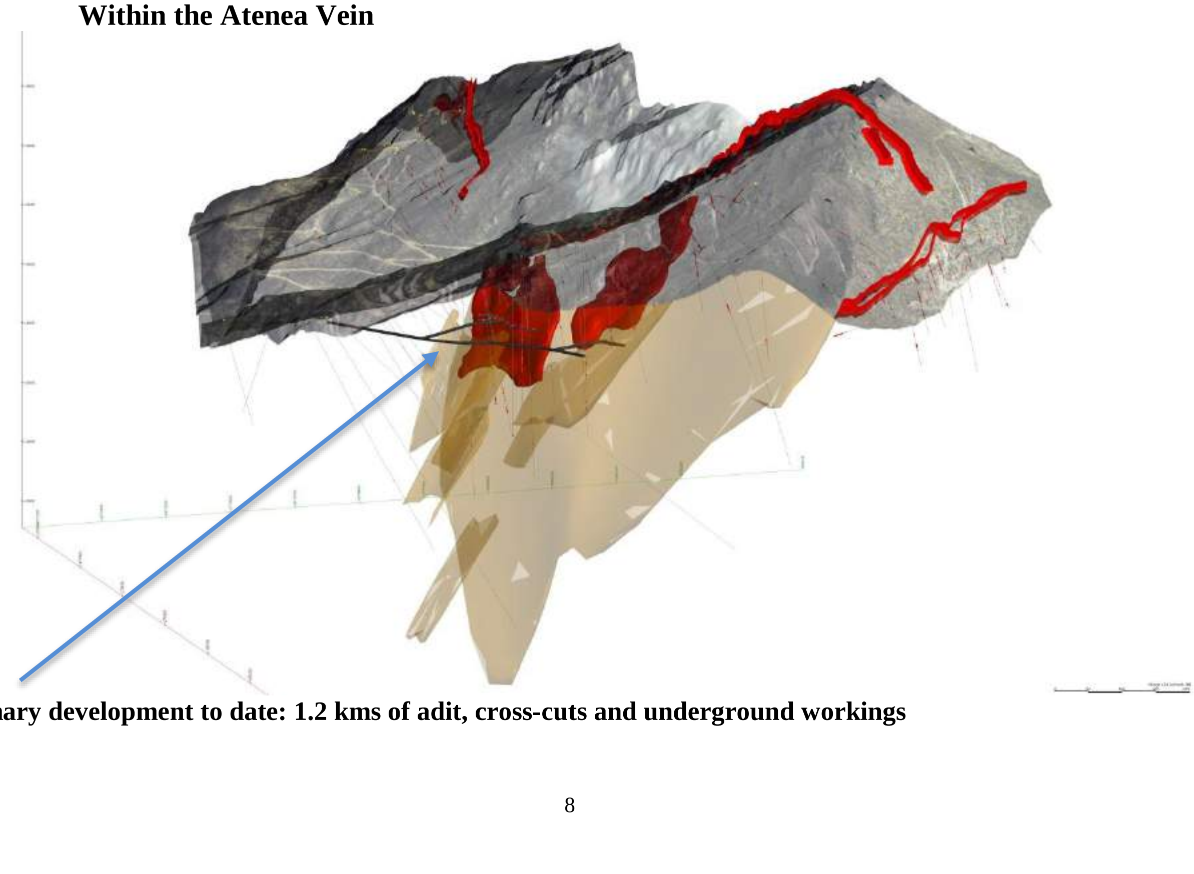
In Q4-2014, the Company received proposals from a number of mining contractors who were invited to bid in response to the Company's specific requirements related to their specific experience and qualifications, including technical capability, safety performance, environmental and community responsibility, availability and other mining-related factors. The Company subsequently selected a preferred contractor for the required mine development, mining, road construction, and transport work, and is in the process of evaluating available alternatives for the toll processing of the Invicta mineralized rock.

Technical Advisors
The Company engaged Aminpro - Peru S.A.C. to complete metallurgical assessments, plant design and an evaluation of the available process options for 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 and project management consulting services for the Invicta mine operations.

The planned mining operation would utilize the underground workings built by previous owners at an internally-estimated cost of US$15,000,000. These workings directly access the high-grade Au mineralized rock contained in the measured resource estimate that is primarily contained in the Atenea Vein (see Figure 1 below).

Figure 1: Invicta Gold Project Underground Workings Intersecting the Highest Grade Areas Within the Atenea Vein



Primary development to date: 1.2 kms of adit, cross-cuts and underground workings

Invicta Gold Project production plan highlights:

- Remaining mine permitting, engineering, development and infrastructure costs of approximately $US2,012,000, funded from the Company's treasury and/or alternative financing sources;
- Securing the necessary, remaining permits within the next 3 months;
- Contractor pre-production mine development would commence after receiving required permits and it is estimated that such work would be completed within 3 months;
- Utilize the existing 1.2 kms of tunnels, drifts, and cross cuts that access the measured resource mineralization;
- Construction of mine safety, alternate escapes, and ventilation upgrades as part of the pre-production development;
- Utilizing a low-cost and scalable sub-level open-stoping mining method;
- Commencing initial production in the latter half of 2015;
- Over the first 12 months, extracting approximately 100,000 tonnes of mineralized rock from the areas containing the measured category of the mineralized resource estimate; and
- Shipping and selling mineralized rock directly to local custom toll mills, thereby avoiding capital cost and permit delays associated with plant construction, tailings and water impacts.

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 nine 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. 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

***** - Timeframes to commissioning of production from this identified mineralization may be extended depending on metals prices, ability to finance, permitting delays, contractor performance, and other factors beyond management's control.

The Company recently completed a sampling and mapping program on mineralization exposed within the existing drift and cross-cut development at the 3,400 meter 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 Meters	Width Meters	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 production plans for Invicta.

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 (Note 2)
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), as follows:

Table 2: Distribution of Metal
Recovery of metal in Concentrate Streams (%)

Concentrate	Au	Ag	Pb	Cu	Zn	Fe
Copper (Cu)	72.2	31.6	21.6	80.3	24.8	10.8
Lead (Pb)	14.6	43.0	70.5	12.0	20.8	2.6
Zinc (Zn)	4.9	6.0	0.9	1.1	43.0	33.3
Global Recovery [1]	**94.6%**	**94.6%**	**96.8%**	**97.8%**	**95.3%**	**52.8%**

Note 1 – Individual recoveries stated in the table values cannot be directly added to determine Global Recovery. Global Recovery includes all streams not reporting to tails. As an open circuit test, not all of the streams assayed were concentrates, some were tailings that under operating conditions will be re-circulated, get cleaned and ultimately report to the concentrate streams.

Note 2 – The metallurgical and processing information in Table 2 and Table 3 has been reviewed and approved by Roger Amelunxen, President of Aminpro Mineral Processing Ltd. of Canada and Chile, P.Eng with the APEGBC and a consultant to the Company, and a Qualified Person as defined by National Instrument 43-101. Mr. Amelunxen was directly involved in handling all of the test work at Aminpro-Peru, and has verified the metallurgical and processing information contained in this news release.

As reported on March 17, 2014 (see www.lupakagold.com News / 2014 News Releases), the Company intends to commence production at an initial rate of 300 tpd, and initially target some of the highest grade gold and copper mineralization within the Atenea Vein.

Table 3: Concentrate Grades Per Tonne

Concentrate	Au g/t	Ag g/t	Pb %	Cu %	Zn %	Fe %
Copper (Cu)	79	461	6.5	29.2	4.7	27
Lead (Pb)	30.5	1201	40.9	8.4	7.5	12.6
Zinc (Zn)	2.5	41	0.13	0.19	3.8	38.9

This metallurgical test work and associated engineering was executed at the Aminpro Mineral Processing Ltd. ("Aminpro") laboratory in Lima on underground samples with assays ranging between 4-7 g/t Au, 54 and 103 g/t Ag, 1.6 – 2.3% Pb, 1.6 – 2.5% Cu and 1.3% Zn. Lab test work showed that the precious metals and Pb, Cu and Zn respond well to flotation. The Invicta concentrates are also not expected to incur charges for penalty elements, as values reported for As, Sb and Bi in the concentrates are below 0.03%.

Engineering studies conducted by Aminpro indicate that at a plant scale, approximately 87% of the gold and 92% of the copper is expected to report into the lead and copper concentrates. The zinc concentrate assays reported as 3.8% Zn is for a primary flotation concentrate, which at time of press was confirmed to be upgradable to 58.4%. Gold values reporting to a zinc concentrate are not considered by Management to be payable.

Quality Control and Assurance
The analyses for the above-noted sampling campaign were carried out by Alfred H. Knight ("AHK"), an accredited independent laboratory, in Lima, Peru, exercising a thorough Quality Assurance and Control program (QA/QC). AHK labs is ISO/IEC 17025:2005 and ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 accredited and compliant.

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 valley slopes, roughly 2 km from the Invicta Gold Project.

Two communities, called Lacsanga and Santo Domingo de Apache, will be directly impacted by the extraction and transport of mineralized rock from an Invicta mining operation. Other local communities may be indirectly impacted.

To date, the Company has signed a 20-year agreement with the community of Santo Domingo de Apache. In addition, the Company has signed several other related agreements to acquire secondary parcels of land for the purpose of infrastructure development to support the project as needed, and to improve local medical and school facilities. The Company is presently in discussions with the community of Lacsanga covering the terms and conditions for an agreement similar to that currently in existence with the community of Santo Domingo de Apache.

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.

The Company has and is supporting the following ongoing community initiatives and programs:

- Pine Tree Nursery (Community of Santo Domingo de Apache) - 50,000 pine tree seedlings (40 ha’s) planted to create the beginning of a sustainable commercial wood source. The Company contributed approximately US$40,000 towards this project;
- School classroom and medical clinic additions (Community of Paran) – construction of 3 school classroom additions to current schools, as well as a small medical clinic facility in the community. These infrastructure additions are legacy items made by previous owners of the Invicta Gold Project and have an estimated cost of US$175,000. The Company is currently in discussions with the Paran Community to agree on the scope and construction specifications of these items;
- Churca - Corona, San Miguel de Lucmacoto (Community of Santo Domingo de Apache), San Miguel de Lucmacoto (Community of Santo Domingo de Apache) and El Ahorcado (Community of Sayan) irrigation channels - improvement and construction of irrigation channels, as well as training on the implementation of new irrigation technologies. The Company assisted the communities by funding consulting work to produce their government applications, the funding of which totalled approximately US$100,000.

Concessions – Invicta

See the Company’s AIF for a complete and detailed listing of the concessions which make up the Invicta Gold Project and which hold exploration potential.

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, except that as at December 31, 2014 only the annual concession fees for the five Victoria concessions have been paid and are current (Note, the Invicta mineralized resource estimate is located on the Victoria Uno concession). Additionally, these are the only Invicta concessions for which the Company has recorded any carrying value.

On an ongoing basis, the Company evaluates the future exploration and development potential of its Invicta concessions.

Following is a continuity listing of the Company’s exploration expenditures for Invicta to December 31, 2014, which the Company expenses for accounting purposes:

	Year ended December 31, 2014 ($000’s)	**Year ended December 31, 2013** ($000’s)	**Total from acquisition date* to December 31, 2014** ($000’s)
Camp, community relations and related site costs	785	566	1,568
Project administration	263	1,156	1,638
Technical reports and external assays	47	35	83
Transportation, reclamation and professional fees	1	29	147
	1,096	1,786	3,436

* - October 1, 2012

The carrying value of the Invicta mineral property as at December 31, 2014 is $10,845,000 ($10,581,000 – December 31, 2013). The change in carrying value of $264,000 for the year ended December 31, 2014 is due to changes in foreign currency translation rates that occurred between the Canadian Dollar and the Peruvian Nuevo Sol from December 31, 2013 to December 31, 2014.

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 meters above sea level. The nearest town is Crucero, located 45kms away from the Project. The closest city is Juliaca, about 150 Km to the south-southwest, which has an airport that is served by domestic flights that connect with Lima, the capital city of Peru, about 850 Km to the northwest. The Project is comprised of nine mineral concessions covering an aggregate area of approximately 5,500 hectares.

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.

For the past several years, exploration work on the Crucero project has 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 4 below summarizes the Company's Crucero Gold Project mineralized resource estimates, at a 0.4 g/t cut-off threshold:

Table 4: 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

In the near-term, 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 meter 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 meter 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 recent sampling and mapping work at the Crucero Gold Project has 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

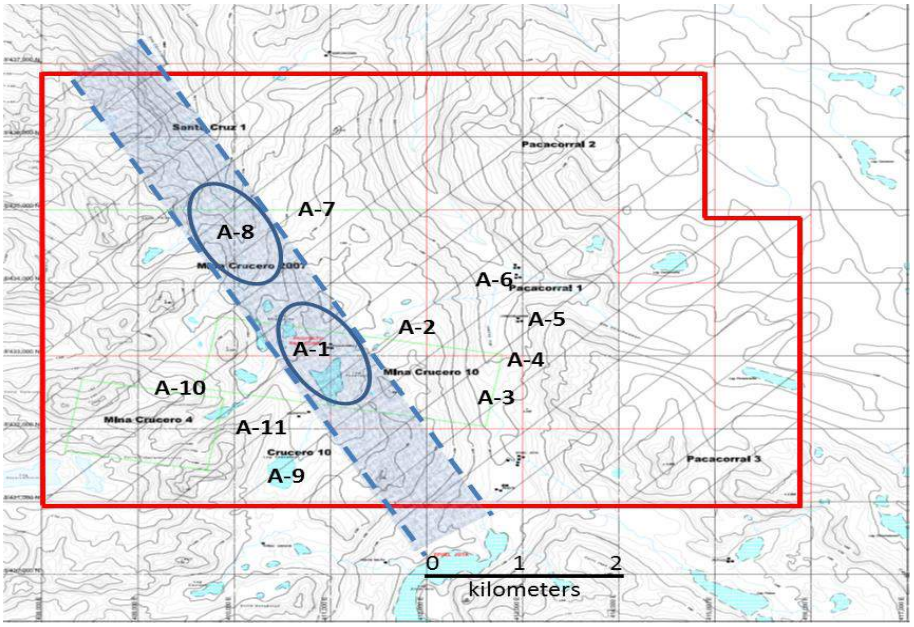
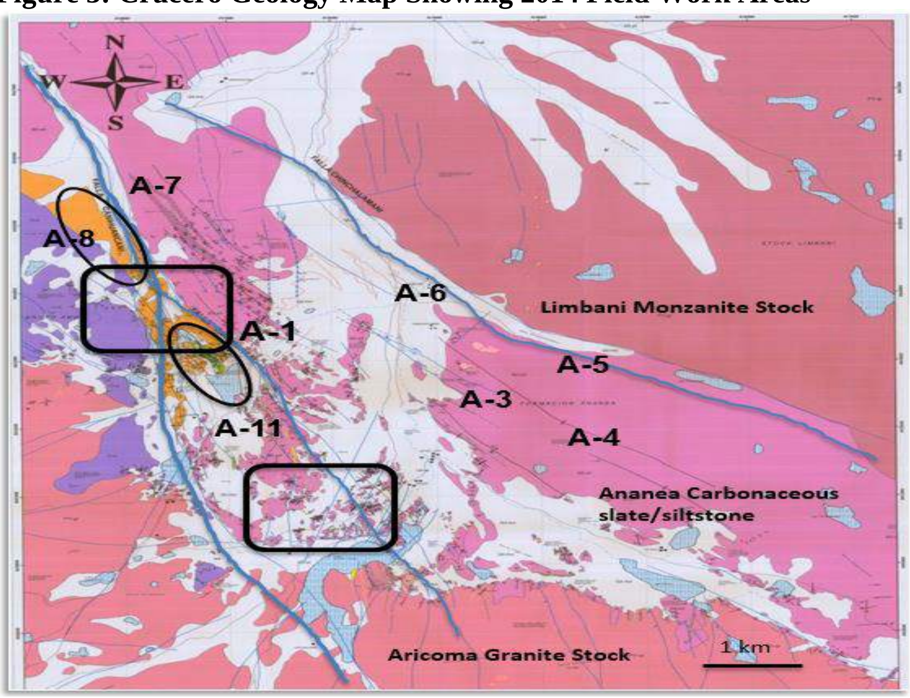


Figure 3: Crucero Geology Map Showing 2014 Field Work Areas



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

Bold rectangles outline the areas sampled and investigated in 2014.

Table 5: 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.

2013 Exploration and Technical Programs

Following on from the 2012 drill program results, surface exploration and field work programs are being conducted in order to define target areas for further exploration, including potential drilling.

The structures interpreted on the SRK Structural Context Report's high-level images of the Crucero project include regional faulting as well as local and detail foliations, shear zones, faults, and, subordinately, dykes, veins, joints, and fold axial traces. Through 2013 and 2014, the Company plans to continue to complete detailed field examination to establish the relative timing and relationship between the individual structures, their kinematics, and relationship to gold mineralization. The Company will also be conducting detailed geologic field mapping to confirm and trace visible sulphide-bearing structures through the Crucero project area. All of this information will be used to develop targets for future drilling.

In Q3 2013 the Company engaged SRK Consulting (Canada) Inc. to prepare a conceptual pit design in order to apply an economic constraint on the resource estimate for the Crucero Gold Project. The results of that study determined a pit-constrained resource estimate that contains approximately 92% of the total unconstrained estimated gold mineralization at Crucero. The study also identified that the lower-grade resources at depth are not economic at current market prices and economic considerations, and are therefore not included in the pit-constrained resource as outlined in the Company's Crucero Technical Report. See the Company's October 28, 2013 news release for further information (www.lupakagold.com / News / 2013 News Releases).

The Company deployed field teams to Crucero in mid-year 2013, with a focus on assessing the mineral potential in the eastern half of the property, and the southern extent of mineralized structure beyond the A-1 Zone. Anomalous values for gold and arsenic (as a gold indicator) were found throughout the property, with the most compelling and interesting values identified on the northern and southern extensions of the main structure that hosts the A-1 gold resource.

Metallurgical studies

An updating of the Crucero Gold Project's metallurgical testing began in 2012, with the results being announced on July 2, 2013, as follows:

> Summary results were from tests performed on two composite samples reflecting the two distinct mineralization types within the Crucero mineralization envelope. The wide range of recovery results reflects the suite of tests performed and the treatment options analyzed. Depending on types of minerals, their concentration and grind size, leach extraction of 60-75% gold was achieved. Diagnostic leach tests at ultrafine grinds showed leach extraction of 89% and 94% for the two composites. The results have not been optimized and were performed with the purpose of assisting the Company to focus its exploration efforts through improved understanding of mineral associations and mineralogy, as it explores the remaining 10 identified (to date) exploration anomalies at Crucero. Working with Ausenco, the Company designed the test parameters for the most recent campaign to broadly evaluate the different mineralization types within the Crucero resource envelope.
>
> The metallurgical test work programme evaluating the characteristics of Crucero Gold Project's A-1 Zone was conducted by SGS Lima, Peru and managed by Ausenco. The focus of the test programme was to investigate the two major mineralization gold association types represented by two separate

composites: a Northern, mainly pyrrhotite, composite; and a Southern, mainly arsenopyrite, composite.

The Ausenco work evaluated several different processing options including whole-ore leaching, pre-aeration, grind size sensitivity cyanide concentration sensitivity, flotation, flotation concentrate leaching at various cyanide concentrations and regrind sizes, flotation tailing leaching at various cyanide concentrations, gravity concentration which included flotation of gravity tails and leaching of gravity concentrate and gravity tails. Comminution testing included Bond Ball Mill Work Index and SAG Mill Comminution tests. As no variability testing was conducted, the results presented herein are considered preliminary and are to be further evaluated when future variability testing is conducted.

The comminution characteristics for the Crucero Gold Project's A-1 Zone indicate that the ore is of medium hardness and has a high competency.

Leach times of 24 hours at a grind size of 80% passing 53 microns provided extractions of 60-65% for the Southern Composite having a 1.57 g/t gold head grade and 70-75% for the Northern Composite having a gold head grade of 1.24 g/t. Ultrafine grinding tests to 80% passing 10 microns on whole-of-ore samples increased extractions to 89% and 94% for the Southern and Northern composites respectively. As stated above, these extractions are considered preliminary as no variability tests have been carried out, and further gold association work is required prior to providing indications of extractions achievable over the whole deposit. Gold is considered to be the only mineral of economic interest.

The test work shows that the A-1 Zone gold extraction is independent of sodium cyanide concentration in the range 500 to 1500 mg/L. Opportunity remains to further reduce the cyanide dosing and concentration regime and thereby reduce operating costs. Pre-aeration with air was found to provide sodium cyanide consumption reduction and further work in this area is warranted.

Conclusions and Recommendations from the test work

The test work completed to date has suggested metallurgical performance is likely associated with arsenic, pyrrhotite and antimonial minerals, and is a function of grind size to achieve mineral liberation. As the deportment and location of these minerals is not defined, there is a need to understand this aspect and also the associated metallurgical behaviour by variability testing.

Additional variability test work is required to define comminution and metallurgical parameters with ore types and mineralisation in the resource in addition to providing engineering data such as settling characteristics, viscosity, materials handling and rheology. Use of oxygen for pre aeration, review of lead nitrate addition, application of reduced cyanide concentration and gold deportment evaluations all provide opportunity to improve extraction efficiency and project economics.

Management is satisfied that the metallurgical testing accomplished its objective and provided sufficient direction to proceed with additional exploration at Crucero, in that the gold-bearing mineralization responds favourably to whole ore leaching, gravity, magnetic and flotation separation, and cyanidation final recovery of a doré product. Further, the metallurgical results obtained were within the range expected, and show a path forward for optimization and further testing.

In the near-term, 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 zone at 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.

On September 17, 2013, the community of Oruro voted to renew the Company's exploration agreement with the community for a 4-year term. 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 necessary.

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.

On August 27, 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.

Approval of the EIA-SD allows the Company to continue and potentially to 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. The Company had previously been operating under an initial exploration permit (granted under a previous Category I Environmental Impact Statement), completing 22,959 metres of drilling at Crucero since acquiring the project in 2010.

The EIA-SD was approved after the Company submitted archeological, environmental and socioeconomic baseline and water studies, and completed various public comment processes. In addition, the EIA-SD recognizes that the Company fulfilled all of the required remediation and reclamation for our previous exploration activities. The application for the EIA-SD was filed in late 2012.

Concessions – Crucero

See the Company's AIF for a complete and detailed listing of the 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 December 31, 2014:

	Year ended December 31, 2014 ($000's)	**Year ended December 31, 2013** ($000's)	**Total from inception to December 31, 2014** ($000's)
Camp, community relations and related site costs	883	1,567	4,854
Project administration	799	1,617	4,425
Technical reports, external assays and related costs	11	285	1,234
Transportation, reclamation and professional fees	5	71	1,018
Drilling	–	–	2,595
	1,698	3,540	14,126

The carrying value of Crucero as at December 31, 2014 is $17,090,000 ($16,673,000 – December 31, 2013). The change in carrying value of $417,000 for the year ended December 31, 2014 is due to changes in foreign currency translation rates between the Canadian Dollar and Peruvian Nuevo Sol which occurred from December 31, 2013 to December 31, 2014.

JOSNITORO GOLD PROJECT

On November 26, 2013, the Company announced that it had entered into a memorandum of understanding ("MOU") with Compañía Minera Ares S.A.C. and Minera del Suroeste S.A.C. (indirect subsidiaries of Hochschild Mining plc ("Hochschild")) with regards to the execution of a definitive agreement (the "Josnitoro Agreement") that will allow the Company to earn-in to a 65% interest in Josnitoro in Southern Peru. The Josnitoro Agreement was executed and registered with the Cusco Mining Registry with an effective date of September 18, 2014.

The Josnitoro Gold Project is an exploration stage gold and copper project in the Department of Apurimac with significant surface gold values in oxide veins and veinlets on the perimeter of a central oxide copper skarn. The Project is located 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 km 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 3 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 Josnitoro Agreement, the Company will be the project operator, must maintain the project concessions in good standing and must pay 100% of the costs of the required earn-in activities to earn its 65% interest, including the costs associated with keeping the Josnitoro Gold Project concessions in good standing (which has been done). In order to exercise the option to acquire a 65% interest, the Company must obtain the required permits and licenses within 2 years of the execution of a definitive agreement, so as to subsequently conduct a minimum 10,000 meter diamond drill program and complete a preliminary economic assessment ("PEA") within a total 6-year period. In the event that the Company cannot receive community permission to commence drilling, the Company can abandon the option with no penalty or continuing obligations.

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.

Management projects that the costs of meeting the earn-in requirements will be approximately US$300,000 per year for the first two years, US$3,000,000 for drilling 10,000 metres and $300,000 to prepare a PEA.

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 2015 and could commence basic surface field exploration work at that time. Exploration field work will then 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.

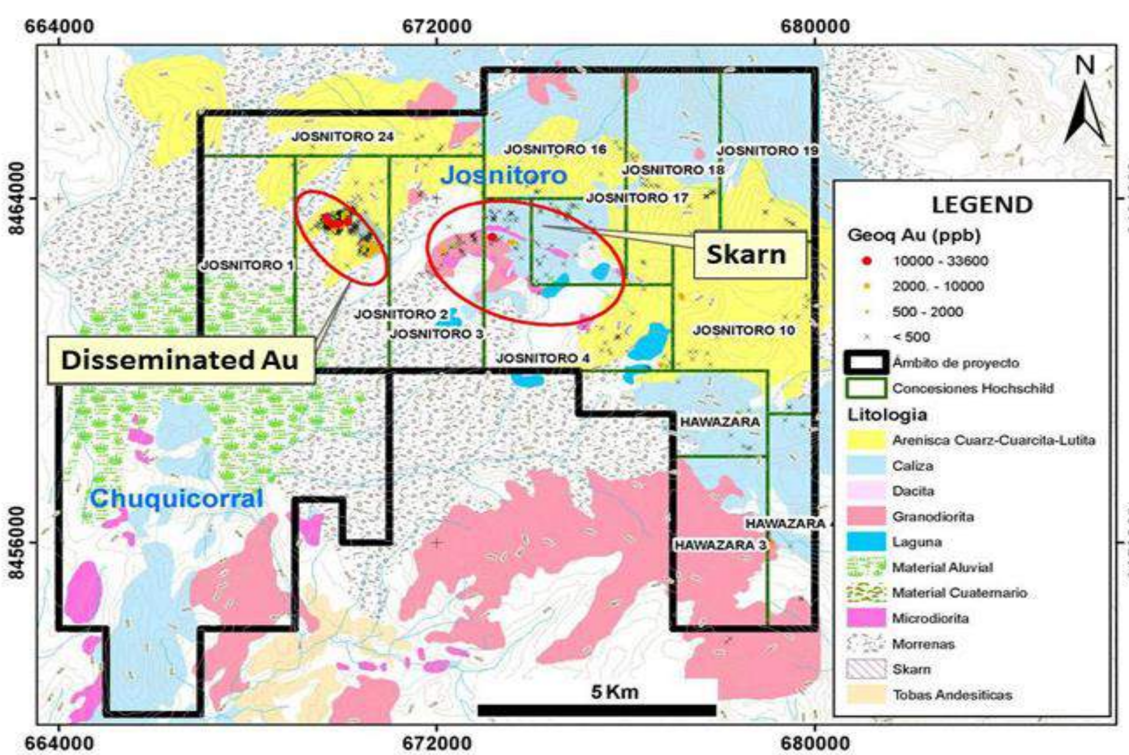
Exploration to date

Historical work on the project has consisted of geologic mapping and rock chip and trench sampling. Past rock chip samples on the property have returned results of up to 7.74 g/t Au, and trench sampling has returned results of up to 33.6 g/t Au. There have been 174 rotary percussion holes drilled on the property up to 18m deep each for a total drill amount of 2,856m. Highlights include 12m @ 4.02 g/t Au and 6m @ 4.88 g/t Au.

The mineralization at Josnitoro has been recognized in two styles (and areas):

1. The Cu-Au skarn mineralization related to the Ferrobamba calcareous formation and associated with the diorite intrusion, which presents the typical garnet-wollastonite-barite-sericite-magnetite-specularite assemblage, with economic Cu-Zn-Pb sulfides contents and important premium in Au. This mineralization is located in the Huancabamba Community lands.
2. The gold dissemination within the quartzite and sandstones of the Soraya formation is marked by Au-As-Pb-Cu-Zn anomalies at surface. This sequence is crosscut by hydrothermal sub-vertical breccias that have been altered showing the following assemblage: illite, smectite, kaolin, goethite, quartz, jarosite, scorodite, goethite and hematite. Gold mineralization is primarily controlled by the local structures and it is also disseminated in the fractured sandstones and quartzites.

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, and comprise the following:

MINING CONCESSION	CÓDE INGEMMET	HA's
JOSNITORO 1	010005200	1,000
JOSNITORO 2	010005300	1,000
JOSNITORO 3	010005400	1,000
JOSNITORO 4	010005500	1,000
JOSNITORO 10	010056000	1,000
JOSNITORO 16	010077404	900
JOSNITORO 17	010077504	400
JOSNITORO 18	010077604	900
JOSNITORO 19	010077704	800
JOSNITORO 24	010071809	600
JOSNITORO 25	010120909	700
HAWAZARA	010072009	600
HAWAZARA 1	010076409	600
HAWAZARA 2	010090609	600
HAWAZARA 3	010105609	800
HAWAZARA 4	010105709	500
HAWAZARA 5	010120709	1,000
HAWAZARA 6	010120809	800
HAWAZARA 7	010149909	400
	Total	14,600

The carrying value as at December 31, 2014 and December 31, 2013 of the Josnitoro Gold Project, for which no consideration has been paid, was $Nil.

During the year ended December 31, 2014, the Company incurred approximately $422,000 in expenditures covering concession fees, site personnel and internal assay sampling 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.

INVESTMENT IN SOUTHERN LEGACY

As a result of the October 2012 acquisition of AAG, the Company acquired 9,841,269 common shares in Southern Legacy, representing approximately 17% of the issued and outstanding ownership shares of Southern Legacy, and which the Company classified as an available-for-sale financial asset. At the October 1, 2012, date of initial recognition, the fair market value of this investment was $3,986,000.

On October 22, 2013, the Company acquired an additional 208,333 common shares in Southern Legacy at a cost of $52,000. As a result of this acquisition, the Company owned a total of 10,049,602 common shares in Southern Legacy, representing approximately 17% of the issued and outstanding ownership shares of Southern Legacy.

On July 30, 2014, the Company sold all of its shares of Southern Legacy in an open-market transaction conducted through the TSX Venture Exchange for net proceeds of approximately $995,000. This sale resulted in a realized loss of $3,043,000, of which the Company recognized a net gain of $90,000 in 2014, a loss of $1,657,000 in 2013 and a loss of $1,476,000 in 2012.

SUMMARY OF ANNUAL AND QUARTERLY INFORMATION

Selected Annual Information

Financial Data for Last Three Fiscal Years			
In thousands of Canadian Dollars, except for per share amounts			
Fiscal year ended	2014	2013	2012
Exploration expenses	$3,216	$5,326	$5,475
General and administrative expenses	$1,541	$2,968	$2,673
Loss	$4,609	$9,782	$9,596
Basic and diluted loss per share*	$0.05	$0.12	$0.18

** Loss per share is calculated on the loss attributable to the equity owners of the parent company.*

	December 31, 2014	December 31, 2013	December 31, 2012
Total assets	$30,663,000	$33,106,000	$42,780,000

Selected Quarterly Information

The following table presents selected unaudited quarterly operating results for each of the last eight quarters. Selected quarterly financial information is reported in accordance with International Financial Reporting Standards ("IFRS").

Financial Data for Last Eight Quarters (Unaudited)

In thousands of Canadian Dollars, except for per share amounts

Three months ended	**Dec-14**	**Sep-14**	**Jun-14**	**Mar-14**	**Dec-13**	**Sep-13**	**Jun-13**	**Mar-13**
Total revenues	$0	$0	$0	$0	$0	$0	$0	$0
Exploration expenses	$967	$665	$1,004	$580	$1,184	$750	$1,734	$1,658
General and administrative expenses	$389	$269	$351	$532	$748	$577	$770	$873
Interest (income)	$(7)	$(7)	$(5)	$(9)	$(8)	$(6)	$(19)	$(27)
(Gain) on sale, impairment loss on available-for-sale financial asset	$Nil	$(391)	$0	$301	$328	$0	$344	$985
Foreign exchange loss (gain)	$5	$(8)	$15	$(42)	$(79)	$35	$(56)	$(9)
Loss	$1,354	$528	$1,365	$1,362	$2,173	$1,356	$2,773	$3,480
Basic and diluted loss per share	$0.01	$0.01	$0.02	$0.02	$0.03	$0.02	$0.03	$0.04

As the Company has not had any revenue-producing mineral properties to date, no mining revenues are reflected in the above table.

Factors that have caused fluctuations in the Company's quarterly results include the: fluctuations in market value of the Company's previously held investment in Southern Legacy, timing of the Company's exploration activities, scope of the Company's investor relations programs, share-based compensation, 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 three months and years ended December 31, 2014 and 2013 are summarized as follows:

	Three months ended December 31		Year ended December 31	
	2014 ($000's)	**2013 ($000's)**	**2014 ($000's)**	**2013 ($000's)**
Operating expenses				
Exploration	967	1,184	3,216	5,326
General and administration	389	748	1,541	2,968
Operating loss	1,356	1,932	4,757	8,294
(Gain) impairment loss on available-for-sale financial asset	–	328	(90)	1,657
Finance income – interest	(7)	(8)	(28)	(60)
Foreign exchange loss (gain)	5	(79)	(30)	(109)
Loss for the period	1,354	2,173	4,609	9,782
Loss per share - Basic and diluted	$0.01	$0.03	$0.05	$0.12

Three months ended December 31, 2014

Compared to the three months ended December 31, 2013 notable expense variances were as follows:

Exploration expenses

Exploration expenses relate to the Peru operations of the Company and totalled $967,000 for 2014 compared to $1,184,000 for 2013, a net decrease of $217,000 for the period, which reflects the following:

- Project administration – these expenses totalled $236,000 for 2014 compared to $673,000 for 2013, with the decrease of $437,000 primarily being a result of:
    - An allocation of $35,000 of Canada senior management costs to Invicta; offset by
    - Cost reductions associated with reduced Peru staff levels and associated expenses of $472,000 for 2014.
- Camp, community relations and related costs – these expenses totalled $729,000 for 2014 compared to $387,000 for 2013, with the increase of $342,000 primarily being a result of :
    - An increase of $118,000 in Invicta pre-construction activities; and
    - $272,000 in Josnitoro costs vs $Nil for 2013; offset by
    - An aggregate decrease in Crucero exploration activities totalling $48,000.
- Technical reports, assays, and related costs – these expenses totalled $Nil for 2014 compared to $109,000 for 2013, with the decrease of $109,000 being attributable to:
    - no Crucero metallurgical study or technical report work being done in 2014 for savings of $80,000; and
    - reduced miscellaneous costs of $29,000.
- Other exploration costs – a reduction of $13,000 in individually insignificant expenses.

General and administration expenses

All such expenses relate to the Canadian operations of Lupaka Gold and totalled $389,000 for 2014 compared to $748,000 for 2013, with the decrease of $359,000 being mainly the result of:

- Shareholder and investor relations ("IR") expenses totalled $70,000 for 2014 compared to $319,000 for 2013, a decrease of $249,000. This reflects:
    - An IR cost reduction of $127,000 relative to the fourth quarter of 2013, when there were investor relations programs focused on the establishment of a European investor presence in the Company's shareholder base; and
    - Decreases: of $48,000 attributable to reduced share-based compensation ("SBC") costs; in staffing costs of $26,000; in I/R travel of $25,000 and other individually insignificant costs totalling $23,000.
- Salaries and benefits totalled $147,000 for 2014 compared to $238,000, a decrease of $91,000, which reflects:

- Reduced SBC expenses of $54,000 for 2014;
  - A higher allocation by $30,000 of Canada senior management costs to the Invicta project; and
  - Lower personnel costs associated with a voluntary reduction in Vancouver office staff compensation totalling $7,000 for 2014, and
- A net increase in other individually insignificant general and administration expenses of $17,000.

Year ended December 31, 2014

Compared to the year ended December 31, 2013 notable expense variances were as follows:

Exploration expenses

Exploration expenses relate to the Peru operations of the Company and totalled $3,216,000 for 2014 as compared to $5,326,000 for 2013, a net decrease of $2,110,000 for the period which reflects the following:

- Camp, community relations and related costs – these expenses totalled $2,089,000 for 2014 compared to $2,134,000 for 2013, with the decrease of $45,000 being a result of :
  - Josnitoro concession fees and site costs totalling $422,000; and
  - Invicta pre-construction activities costing $321,000; offset by
  - A $684,000 decrease in Crucero camp and related personnel costs; and
  - There being no IMC technical employees in 2014 as there was in Q1-2013 for savings of $104,000.
- Project administration – these expenses totalled $1,062,000 for 2014 compared to $2,772,000 for 2013, with the decrease of $1,710,000 being a result of:
  - An increase in allocation of $179,000 of Canada senior management costs to Invicta; offset by
  - Cost reductions associated with a significant reduction in Crucero exploration activities and associated expenses of $1,218,000 for 2014;
  - A reduction in Invicta personnel and related costs totalling $484,000 (in the first six months of 2014);
  - A reduction in concession fees paid in 2014 of $165,000; and
  - Individually insignificant miscellaneous cost reductions totalling $22,000.
- Technical reports, assays, and related costs – these expenses totalled $58,000 for 2014 compared to $320,000 for 2013, with the decrease of $262,000 being attributable to:
  - Invicta pre-production assay and metallurgical study costs of $42,000; offset by
  - no Crucero resource technical report and metallurgical studies in 2014 (for a savings of $266,000); and
  - Individually insignificant miscellaneous cost reductions totalling $38,000.
- Other exploration costs – a reduction of $66,000 in transportation and $28,000 in other individually insignificant expenses.

General and administration expenses

All such expenses relate to the Canadian operations of Lupaka Gold and totalled $1,541,000 for 2014 compared to $2,968,000 for 2013, with the decrease of $1,427,000 being a result of:

- Salaries and benefits totalled $600,000 for 2013 compared to $1,094,000, a decrease of $494,000, being attributable to the following decreased costs:
  - No management bonuses for 2014 vs. $211,000 for 2013;
  - $196,000 of reduced SBC expenses for 2014;
  - An allocation of $40,000 of Canada senior management costs to exploration activities (Invicta);
  - A reduction in Head Office staff in 2014 totalling $35,000; and
  - Lower personnel costs associated with a voluntary reduction in Vancouver office staff compensation totalling $12,000 for 2014.

- Shareholder and IR expenses totalled $425,000 for 2014 compared to $1,175,000 for 2013, a decrease of $750,000. This reflects:
    - An IR cost reduction of $446,000 relative to 2013, when there were investor relations programs focused on the establishment of a European investor presence in the Company's shareholder base;
    - Decreases in IR staffing costs of $72,000;
    - Decreases in IR related SBC expenses of $139,000;
    - Decreased IR travel and conference costs of $71,000; and
    - Decreased individually insignificant costs of $22,000;
- Professional and regulatory fees totalled $260,000 for 2014 compared to $414,000 for 2013, a decrease of $154,000, due to:
    - Reduced legal costs of $70,000;
    - Reduced professional fees of $47,000 from the elimination of auditor review engagements and certain software support for 2014;
    - The non-occurrence of the 2013 costs associated with the initial listing on the BVL of $29,000; and
    - Individually insignificant costs totalling $8,000.
- Office and general – these expenses totalled $219,000 for 2014 compared to $238,000 for 2013, for a net decrease of $19,000 due mainly to reduced information technology and office lease costs, and
- Reduced corporate travel costs totalling $11,000.

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 years ended December 31, 2014 and 2013 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:

In thousands of dollars	**2014** **$**	**2013** **$**
Salaries and benefits	134	330
Shareholder and investor relations	15	155
Project administration	66	111
Camp and related	6	13
Consulting and other	3	9
Total share-based compensation	224	618

LIQUIDITY AND CAPITAL RESOURCES

(in thousands)	**December 31, 2014** ($000's)	**December 31, 2013** ($000's)
Cash and cash equivalents	2,239	3,906
Working capital (defined as current assets less current liabilities)	1,242	2,873
Total assets	30,663	33,106
Total liabilities	1,539	1,777
Shareholders' equity	29,124	31,329

The principal changes in the Company’s cash during the year ended December 31, 2014 were as follows:

- Cash used in operating activities in the year ended December 31, 2014 was $4,376,000 ($6,650,000 – year ended December 31, 2013), principally to fund the Company’s loss for the period of $4,609,000 ($9,782,000 – year ended December 31, 2013) which was offset by non-cash charges including depreciation of $140,000 ($350,000 – year ended December 31, 2013), the gain on sale of the investment in Southern Legacy of $90,000 (impairment loss of $1,657,000 – year ended December 31, 2013) and share-based compensation of $224,000 ($618,000 – year ended December 31, 2013), as well as a net decrease of $36,000 in non-cash working capital (increase of $425,000 – year ended December 31, 2013).

- Net cash from investing activities in the year ended December 31, 2014 totalled $1,201,000, with $995,000 from the sale of the Company’s previously held Investment in Southern Legacy Inc. ($Nil – year ended December 31, 2013), sale of equipment of $284,000 ($10,000 – year ended December 31, 2013) and purchases of equipment for $78,000 ($107,000 – year ended December 31, 2013). There were no purchases of available-for-sale financial assets in 2014 ($52,000 – year ended December 31, 2013).

- The Company completed a non-brokered private placement (the “Placement”) in August 2014 that raised net proceeds of $1,521,000 ($Nil – year ended December 31, 2013).

Total current liabilities as at December 31, 2014 totalled $1,539,000 ($1,777,000 - December 31, 2013), comprised of $1,159,000 ($1,406,000 - December 31, 2013) of accounts payable and accrued liabilities, mostly for current community obligations, and $380,000 of provisions for reclamation ($371,000 - December 31, 2013), the difference being attributable to a change in foreign exchange rates in 2014.

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. The mineral exploration process can take many periods and is 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 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 equity capital as required in the long term, but recognizes there will be risks involved that may be beyond its control.

Management continues to evaluate capital financing alternatives which are available to fund, if necessary, the estimated US$2,012,000 of remaining pre-production expenditures needed to put the Invicta Gold Project into production in 2015.

Additionally, as of the MD&A Date, the Company has implemented various cost-cutting measures, primarily in the areas of administration, investor relations, project development and camp and related areas for the Crucero and Josnitoro Gold Projects.

As disclosed below (see “***Outstanding Share Data***”), during the year ended December 31, 2014, the Company raised additional equity capital of approximately $1,521,000 and sold its shareholdings of Southern Legacy for net proceeds of approximately $995,000.

The Company’s consolidated financial statements for the years ended December 31, 2014 and 2013 are prepared using International Financial Reporting Standards (“IFRS”) that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. If the going concern assumption was not appropriate for these 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. Several adverse conditions cast significant doubt upon the validity of the going concern assumption.

The Company's ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or obtain alternative financing, which it has been successful in doing so in the past. In addition, if the Company is to advance or develop its Invicta Gold Project, it will be necessary to obtain additional financing. As the outcome of these matters cannot be predicted at this time, if the Company is unable to obtain additional financing, management may be required to curtail certain expenses.

As at December 31, 2014, the Company's aggregate common share capital was $57,360,000 ($56,380,000 – December 31, 2013) representing 92,545,110 issued and outstanding common shares without par value (84,495,110 – December 31, 2013).

As at December 31, 2014 the Company had 8,985,000 share purchase warrants outstanding (7,279,167 – December 31, 2013) and 9,198,000 share options outstanding (8,439,350 - December 31, 2013).

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

- basic – 92,545,110 common shares
- fully-diluted – 110,728,110 common shares, after including:
    - 9,198,000 stock options, with exercise prices ranging from $0.13 to $3.22, of which 7,488,000 options are vested; and
    - 8,985,000 common share purchase warrants, with exercise prices ranging from $0.30 to $1.87.

On August 7, 2014, the Company closed the Placement and issued 8,050,000 units (the "Units") priced at $0.20 per Unit, with each Unit consisting of one common share in the capital of Lupaka (each, a "Common Share") and one transferable common share purchase warrant (each, a "Placement Warrant"). Each Placement Warrant entitles the holder to purchase one additional common share, exercisable at $0.30 up to and including August 7, 2017. As part of the Placement, certain directors and officers of the Company acquired a total of 1,050,000 Units. Finders' fees payable in connection with the Placement consisted of approximately $73,000 in commissions and 322,500 finders' Warrants. Share issue costs, including commissions, totalled approximately $89,000. The Placement Warrants are subject to an acceleration clause, where in the event that the closing price of Lupaka's common shares is greater than $0.40 for a period of 20 consecutive trading days, Lupaka may accelerate the expiry date of the Placement Warrants by giving notice to the holders thereof, through the issuance of a press release or written notice. In such case, the Placement Warrants will expire on the 30th day after the date on which such notice is given.

Accumulated Deficit
The Company's accumulated deficit was $33,930,000 as at December 31, 2014 ($29,321,000 - December 31, 2013), with the increase in deficit of $4,609,000 reflecting the loss incurred for the year ended December 31, 2014.

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 significant off-balance sheet arrangements.

Transactions with Related Parties
Related party transactions for the Company for the year ended December 31, 2014 and 2013 are as follows:

- The Company paid consulting fees of $48,000 ($95,000 – year ended December 31, 2013) to Gordann Consultants Ltd.
- The Company paid consulting fees of $116,000 ($140,000 – year ended December 31, 2013) to Havilah Holdings Ltd.
- The Company paid consulting fees of $Nil ($4,000 – year ended December 31, 2013) to a family member of Gordon Ellis.
- The Company paid legal fees of $17,000 ($Nil – year ended December 31, 2013) to Estudio Pinto & Abogados, a Lima, Peru legal firm owned by a director of the Company.

K-Rok is a significant shareholder of the Company, and is owned 60% by ABE Industries Inc. ("ABE") and 35% by Havilah Holdings Inc. ("Havilah") and 5% by another individual. ABE is wholly-owned by Gordann Consultants Ltd. ("Gordann"), a company in which Gordon Ellis owns a 51% interest and his wife, Margaret Ellis, owns a 49% interest. Gordon Ellis is the Executive Chairman of the Company and a director, and through his spousal and corporate ownerships is a greater than 10% shareholder of the Company. Havilah is a company wholly-owned by Geoff Courtnall.

As part of the Placement, certain directors and officers of the Company acquired a total of 1,050,000 Units.

Adoption of new and amended IFRS pronouncements
On January 1, 2014, The Company adopted the following new and revised standards:

- IFRIC 21, Levies,
- IAS 1, Presentation of Financial Statements

Adoption of the above standards and interpretations did not have a significant effect on the consolidated financial statements of the Company.

In May 2014, IFRS 15 Revenue from Contracts with Customers ("IFRS 15") was issued, which is applicable for annual reporting periods beginning on or after January 1, 2017, with an option for early adoption. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Company is in the process of analyzing the impact of IFRS 15 and determining the effect on the consolidated financial statements.

In July 2014 IFRS 9, Financial Instruments ("IFRS 9") was issued. The completed standard provides revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. This final version of IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is in the process of analyzing the impact of IFRS 9 and determining the effect on the 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 consolidated 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.

Judgments
In preparing its 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 consolidated 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.

Accounting Policies
The Company's Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting using accounting policies consistent with IFRS. As such, the Financial Statements do not include all of the information required by IFRS for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013.

The interim statements also follow the same accounting policies and methods of computation as compared to the most recent consolidated financial statements for the year ended December 31, 2013.

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, investment in Southern Legacy and trade and other payables.

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 assets and financial liabilities classified as "fair-value-through-profit and loss" are measured at fair value with changes in those fair values recognized in loss for the year. Financial assets classified as "available-for-sale" are measured at fair value, with changes in those fair values recognized in other comprehensive loss. Financial assets classified as "held-to-maturity" and "loans and receivables" are measured at amortized cost. Unrealized currency translation gains and losses on available-for-sale securities are recognized in loss for the year. Financial liabilities classified as "other financial liabilities" are measured initially at fair value and subsequently measured at amortized cost.

Cash and cash equivalents and trade and other receivables are classified as “loans and receivables” and are measured at fair value. The Company’s previously held investment in Southern Legacy was classified as “available for sale”. Trade and other payables and amounts due to related parties and non-controlling interest are designated as “other financial liabilities”. No financial assets or liabilities have been designated as at fair-value-through-profit-and-loss.

Impairment and non-collectability of financial assets
An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets, other than those at fair-value-through-profit-and-loss, may be impaired. If such evidence exists, the estimated recoverable amount of the asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount as follows: the carrying amount of the asset is reduced to its discounted estimated recoverable amount directly and the resulting loss is recognized in profit or loss for the year. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive loss are reclassified to loss for the year.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss for the year to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized in loss for the year are not reversed through loss for the year. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income or loss for the year.

Financial risk factors
(a) Financial risk exposure and risk management

The Company’s activities expose it to a variety of financial risks, which include credit, liquidity, market, foreign exchange, interest rate, and commodity price risks. inancial 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.

Credit risk
Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and trade and other receivables.
The Company minimizes the credit risk of cash and cash equivalents by depositing only with Canadian chartered banks and banks of good credit standing.

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 December 31, 2014 and 2013, the Company’s contractual obligations (undiscounted) and their maturity dates were as follows:

In thousands of dollars	**December 31, 2014 $**	**December 31, 2013 $**
Trade and other payables (within 12 months)	1,159	1,406
Provision for reclamation (over 5 years)	380	371
Total	1,539	1,777

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.

The Company is exposed to foreign exchange risk through the following financial assets and liabilities denominated in US Dollars ("US$"):

In thousands of US dollars	**December 31, 2014 $**	**December 31, 2013 $**
Cash and cash equivalents	121	1,290
Current liabilities	(480)	(434)

Based on the above net exposure as at December 31, 2014, and assuming that all other variables remain constant, a 10% appreciation (depreciation) of the Canadian Dollar against the US Dollar would result in an increase or decrease of approximately +/- $41,000 (2013 – $91,000) in the Company's net loss or income.

Price risk

Prior to the disposition of Southern Legacy in June 2014, the Company had exposure to fluctuations in the market prices of this financial instrument. As of December 31, 2014 the Company does not have exposure to price risk.

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 December 31, 2014, 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. The Company's previously held investment in Southern Legacy was classified as Level 1 of the fair value hierarchy.

Disclosure Controls and Internal Controls Over Financial Reporting

Management of the Company is responsible for the design and implementation of disclosure controls and procedures and for internal controls over financial reporting ("ICFR") as required by National Instrument 52-109 – Certification of Disclosure ("NI 52-109") in Issuers' Annual and Interim Filings.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is communicated to senior management to allow timely decisions regarding the required disclosure.

While management believes that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the Company's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The Company's internal control system was designed to provide reasonable assurance that all transactions are accurately recorded, that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with IFRS that the Company's assets are safeguarded, and that expenditures are made in accordance with appropriate authorization.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedure may deteriorate.

The Company engaged an independent advisory firm to map the impact of significant differences on its systems of internal controls from the implementation of the new COSO 2013 framework, which took effect December 15, 2014. There were no significant changes made to the internal controls during the planning and implementing of the new 2013 COSO framework for the 2014 certification process.

Changes in Internal Controls Over Financial Reporting

During the three months ended December 31, 2014, there were no changes in the Company's internal controls over financial reporting that materially affected, or were reasonably likely to materially affect, the Company's internal controls over financial reporting.

Risk Factors – the Company's Risk Factors are fully set out in its AIF, which is available at www.sedar.com.