MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of Lupaka Gold Corp. ("Lupaka Gold") and the notes thereto for the three and six months ended June 30, 2014 and 2013 (collectively referred to hereafter as the "interim 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. ("Andean American", Canada), Lupaka Gold Peru S.A.C. ("LGP", Peru – formerly known as Minera Pacacorral S.A.C.), Invicta Mining Corp S.A.C. ("IMC", Peru), Andean Exploraciones S.A.C. (Peru) and Greenhydro S.A.C. (Peru).

This MD&A provides management's comments on Lupaka's operations for the three and six month periods ended June 30, 2014 and 2013, and the Company's financial condition as at June 30, 2014, as compared with the preceding year-end.

The effective date of this MD&A is August 7, 2014 (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 interim financial statements and its 2013 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 interim financial statements and the MD&A were approved by the Board of Directors on August 7, 2014.

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 and its subsidiaries; 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 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; and the value of the Company's shares in Southern Legacy Minerals Inc. 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 2014 will be consistent with the Company's expectations; that the Company's current exploration and other objectives concerning the Crucero Gold Project, the Invicta Gold Project, the Josnitoro Gold Project and the Company's shareholdings of Southern Legacy Minerals Inc. can be achieved; 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, the Invicta Gold Project and the Josnitoro 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 Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral 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 Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral 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 Mineral 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 Mineral Resource" will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral 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 Mineral Resources will ever be converted into Mineral

Reserves. Investors are also cautioned not to assume that all or any part of an "Inferred Mineral 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 Australian Institute of Geologists and the President of Lupaka Peru, a Peruvian 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. Lupaka Gold's common shares are listed for trading in Canada on the Toronto Stock Exchange ("TSX"), 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 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);

- 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 headwall 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);

- The Company provided an update on January 20, 2014 of its 2014 development and exploration plans for its gold projects (see "***Mineral Projects***" below for additional details);

- On November 26, 2013, the Company announced that it had entered into a memorandum of understanding with certain subsidiaries of Hochschild Mining plc ("Hochschild")) with regards to the execution of a definitive agreement that will allow the Company to earn into a 65% interest in the Josnitoro Gold Project in Southern Peru (see "***Mineral Projects / Josnitoro Gold Project***" below for additional details);

- The Company announced on October 28, 2013 that it had completed a conceptual pit analysis and applied the findings to a pit-constrained resource estimate for the Crucero Gold Project, and that an updated and amended technical report supporting the Crucero Gold Project resource estimate has been filed on SEDAR (see "***Mineral Projects / Crucero Gold Project***" below for additional details);

- On August 27, 2013, the Company announced that it had received approval of a Category II Environmental Impact Assessment - Semi Detailed for the Crucero Gold Project from the Ministry of Energy and Mines of Peru ("MEM"; see "***Mineral Projects / Crucero Gold Project***" below for additional details);

- The Company announced on July 23, 2013 that it had received: a 4-year renewal of the Crucero Gold Project community agreement; additional access agreements from local families; and the petitions for its Pacacorral 2 and Pacacorral 3 mineral claims were granted as fully registered mining concessions by the MEM (see "***Mineral Projects / Crucero Gold Project***" below for additional details); and

•	On July 2, 2013, the Company announced the results of its most recent campaign of metallurgical recovery testing on the mineralization from the A-1 Zone at its Crucero Gold Project. 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 reflect 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 (see "***Mineral Projects / Crucero Gold Project***" below for additional details).

Outlook
The Company's primary priorities for 2014 are to commence production at the Invicta Gold Project, and to continue mineral exploration and development activities on the Crucero Gold Project and the Josnitoro Gold Project, as available cash resources allow.

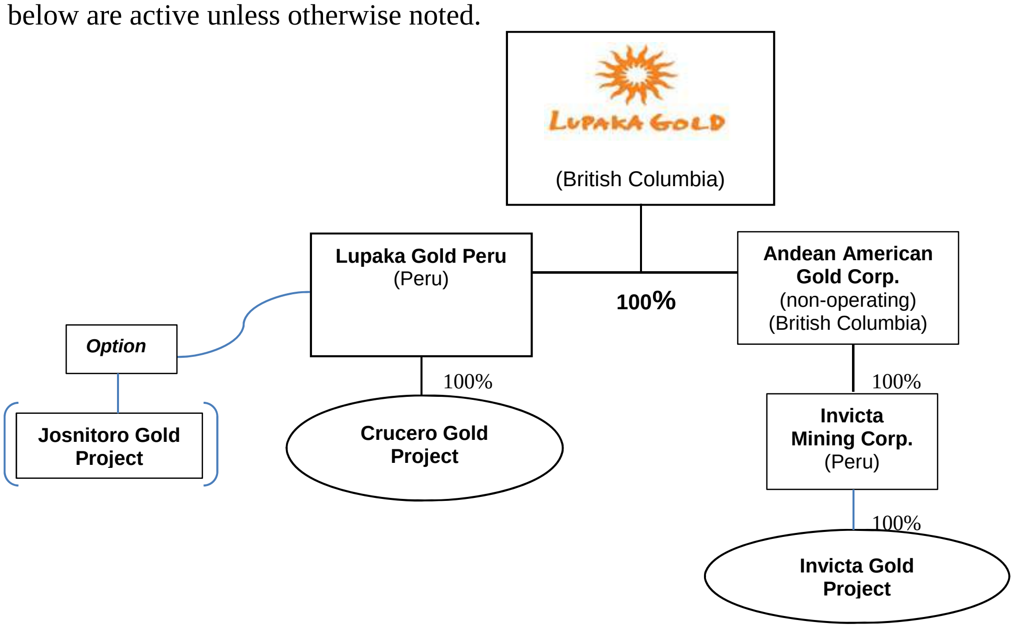
In addition to the recent influx of cash proceeds from the August 7, 2014 equity financing and the sale of Lupaka Gold's Southern Legacy portfolio investment, management will continue to evaluate additional capital financing alternatives which may be necessary to fund the estimated US$2,500,000 of expenditures needed to put the Invicta Gold Project into production by March 2015.

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 428 - 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 Andean American as a result of the October 1, 2012 acquisition of Andean American.

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



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

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

As at August 7, 2014, Lupaka Gold had a market capitalization of approximately $16,700,000.

The Company's executive head office is located in Vancouver, Canada, while its Peru operations are run from LGP's Lima office. LGP also has a community relations office located in the town of Crucero, as well as exploration camps at the Crucero Gold Project and the Invicta Gold Project. 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. 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.

As of June 30, 2014, the number of employees of the Company was as follows:

Lupaka	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014
Vancouver, Canada	7	7	6	5	5
Peru - LGP					
Administration	7	9	8	5	5
Exploration & Technical	33	22	24	16	15*****
Peru - Invicta					
Exploration & Technical	7	7	6	6	5
Total	54	45	44	32	30

*** -** subsequent to June 30, 2014, 7 employees at the Crucero Gold Project exploration camp were terminated due to a shift in the Company's operations focus to the Invicta Gold Project.

The number of exploration-related employees varies through the year as a result of the cyclical nature of the exploration season and site weather. 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 2014 and into 2015.

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 Andean American (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 exploration history.

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

INVICTA GOLD PROJECT

The Company, through its acquisition of Andean American, owns the Invicta Gold Project which is located in the Province of Huaura in northwest Peru.

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 category and 236,000 equivalent ounces Au in the inferred 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 estimate, is shown below:

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

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*

***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 mine 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 by the end of the first quarter of 2015, at a cost of approximately US$2,500,000, comprised of:

Amount* US$000's	**Description**
1,500	Mine development comprised of new ventilation raise, safety bays and miscellaneous tunnel work
400	Surface facilities and community road diversion
300	Permitting and technical studies
300	Mine road upgrades
2,500	

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

The Company is able to utilize: the existing Invicta Environment Impact Assessment ("EIA") approved by the MEM in 2009 and amended in 2012; a Closure Plan for Andean American'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 resource; 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.

The MEM advised the Company that only a simple amendment of the current EIA to reflect the planned scale of production is needed, which would include an amendment of the Closure Plan. Further, the Company can apply for all necessary licenses and certificates under the existing EIA to start commercial operations. By utilizing the existing EIA, no additional or new community public workshop or comment period is required.

Consequently, the Company has made application for various operations-related certificates and permits which include, but are not limited to: conceptual mine engineering; mine ventilation; mine safety; haulage of mined mineralized rock; the purchase, storage and transportation of explosives; power generation; and the start of operations. The Company expects that the necessary certificates and licenses will be received within the next four months and within the original project schedule of commencing commercial operations by the end of Q1 2015.

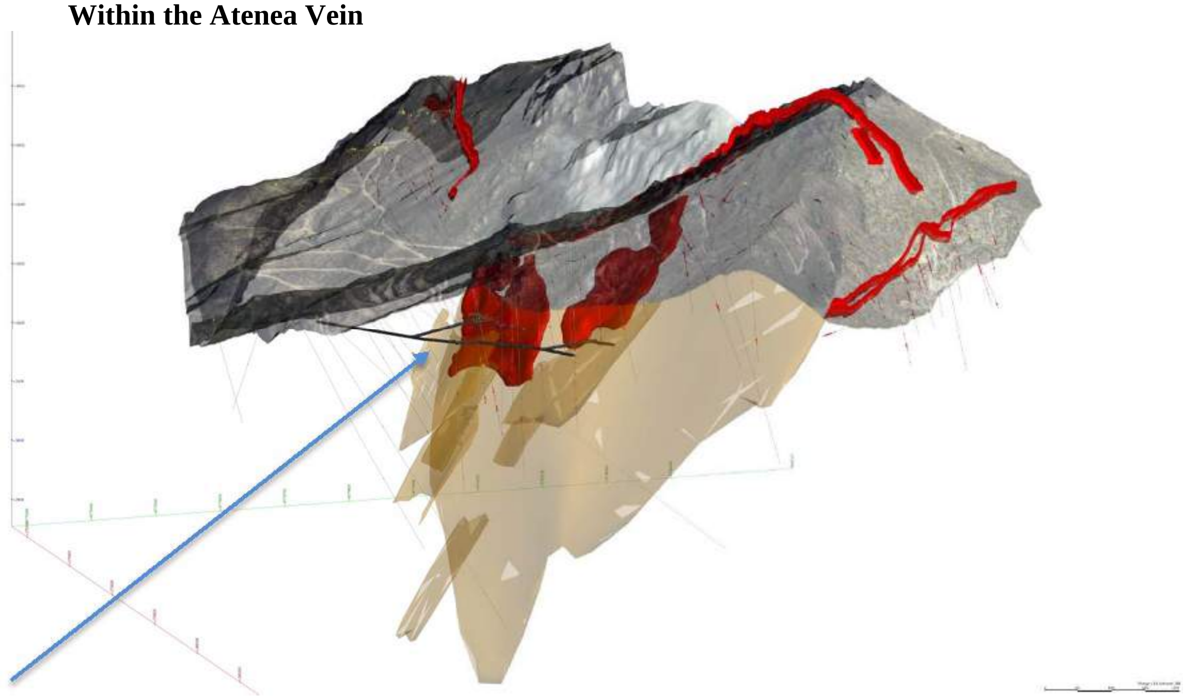
Management believes that a small-scale Invicta operation can be feasibly achieved by implementing a full contractor-based model (re: contract mining, contract haulage and contract toll processing), thereby eliminating significant capital and finance risk to the operation and the Company. The Company has received proposals from several underground mining, development (including mine safety, alternate escapes, and ventilation circuit upgrades), haulage and road construction contractors. Contractors were invited to bid depending on specific experience and qualifications, including technical capability, safety performance, environmental and community responsibility, availability and other factors. These contractors have conducted all necessary site visits and have submitted their bids for the project. The decision to select contractors will be made later this summer with the intent to mobilize underground contractors by the end of Q3-2014.

Technical Advisors
The Company has 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 engaged SVS Ingenieros of Lima Peru (a subsidiary of SRK Global Consulting) to provide mine engineering and project management consulting services for the Invicta production start-up.

The planned mining operation would utilize the underground workings built by previous owners at an internally-estimated cost of $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).

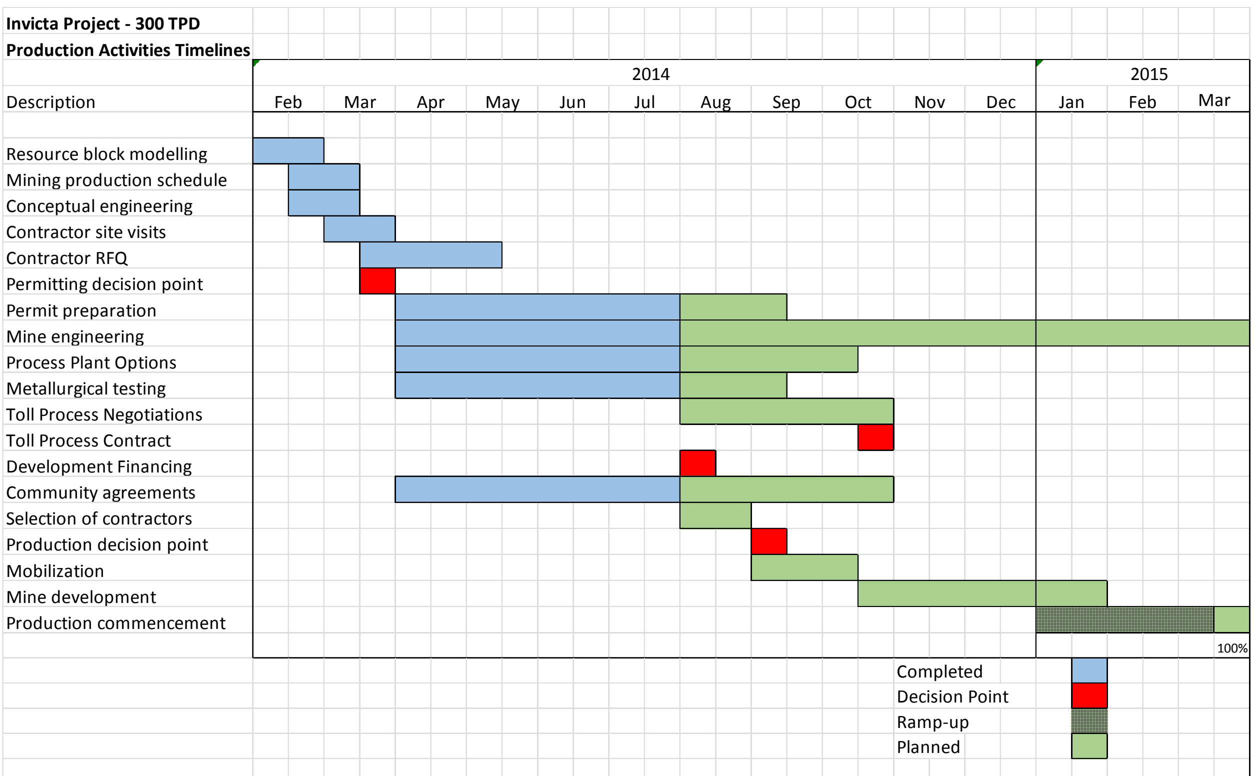
Figure 1: Invicta Gold Project Underground Workings Intersecting the Highest Grade Areas Within the Atenea Vein



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

Invicta Gold Project production plan highlights (see Production Activities Timelines schedule below)**:**

- Mine permitting, engineering, development and infrastructure costs of approximately $US2,500,000, funded from the Company's treasury and/or alternative financing sources;
- Securing necessary permits within 4 months by modifying/utilizing the Company's existing EIA;
- Contractor pre-production mine development would commence after receiving required permits and be completed within three months;
- Utilize the existing 1.2 km 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 by March 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 six 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.

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. Two other local communities, Paran and Sayan, 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:

- Pine Tree Nursery (Santo Domingo de Apache Community) - 50,000 pine tree seedlings (40 ha's) planted, leading to a projected production of 100,000 trees per year once the community expands this project to encompass 300 ha's, and create a sustainable commercial wood source;
- Classroom additions (Paran Community) – construction of 3 school classroom additions to current schools in the community;
- Medical clinic (Paran Community) – construction of a small medical clinic facility within the community;
- Churca - Corona, San Miguel de Lucmacoto (Santo Domingo de Apache Community) and El Ahorcado (Sayan Community) Irrigation Channels - improvement and construction of 24 kms of irrigation channel, as well as training on the implementation of new irrigation technologies. The Company assisted the communities on a consultative basis with their government applications, with the result that these projects were approved, with all funding to be provided by the Government of Peru. These projects are expected to be completed by mid-2014; and
- Picunche – Miraflores Road Upgrade (Lacsanga Community) – improvement and construction of 17.9 km of road and related works, as well as maintenance training. The Company assisted the community on a consultative basis with their government application. This project would be fully funded by the Government of Peru, and is expected to be completed within 1 year, once contractor selection and final project approval is obtained by the community.

Concessions – Invicta

See the Company's AIF for a listing of the Invicta Gold Project concessions.

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 June 30, 2014 only the annual concession fees for the Victoria concessions (within which the Invicta mineralized resource estimate is located) have been paid. Additionally, these are the only Invicta concessions for which the Company has recorded any carrying value.

Following is a continuity listing of the Company's exploration expenditures for Invicta to June 30, 2014, which the Company expenses for accounting purposes:

	Six months ended June 30, 2014 ($000's)	**Six months ended June 30, 2013** ($000's)	**Total from acquisition date* to June 30, 2014** ($000's)
Camp, community relations and related costs	387	374	1,170
Project administration	167	704	1,541
Technical reports and assays	43	36	79
Transportation, reclamation and professional fees	-	-	147
	597	1,114	2,937

* - October 1, 2012

The carrying value of the Invicta mineral property as at June 30, 2014 is $10,634,000 ($10,581,000 – December 31, 2013). The change in carrying value of $53,000 for the six months ended June 30, 2014 ($339,000 – six months ended June 30, 2013) is due to changes in foreign currency translation rates that occurred between the Canadian Dollar and Peruvian Nuevo Sol from December 31, 2013 to June 30, 2014.

CRUCERO GOLD PROJECT

The Crucero Gold Project is located in Carabaya Province, within the Puno Region of south-eastern Peru and 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 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 2 below summarizes the Company's Crucero Gold Project mineralized resource estimates, at a 0.4 g/t cut-off threshold:

Table 2: 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.

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

In 2014 to date, 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 has 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 2 below, with the intention to identify and support drill locations for a planned 2015 drilling program.

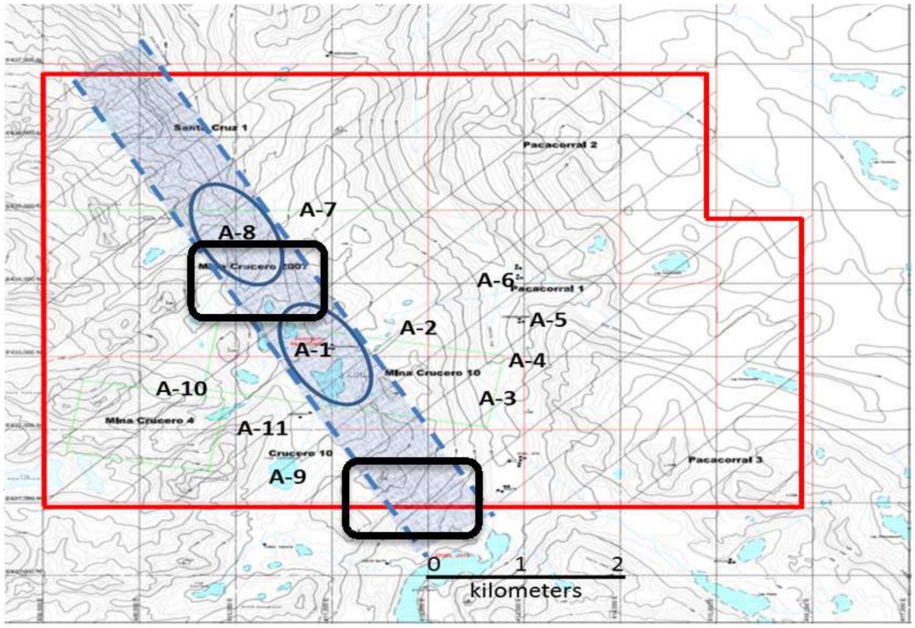
Summary Mapping and Assay Results

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.

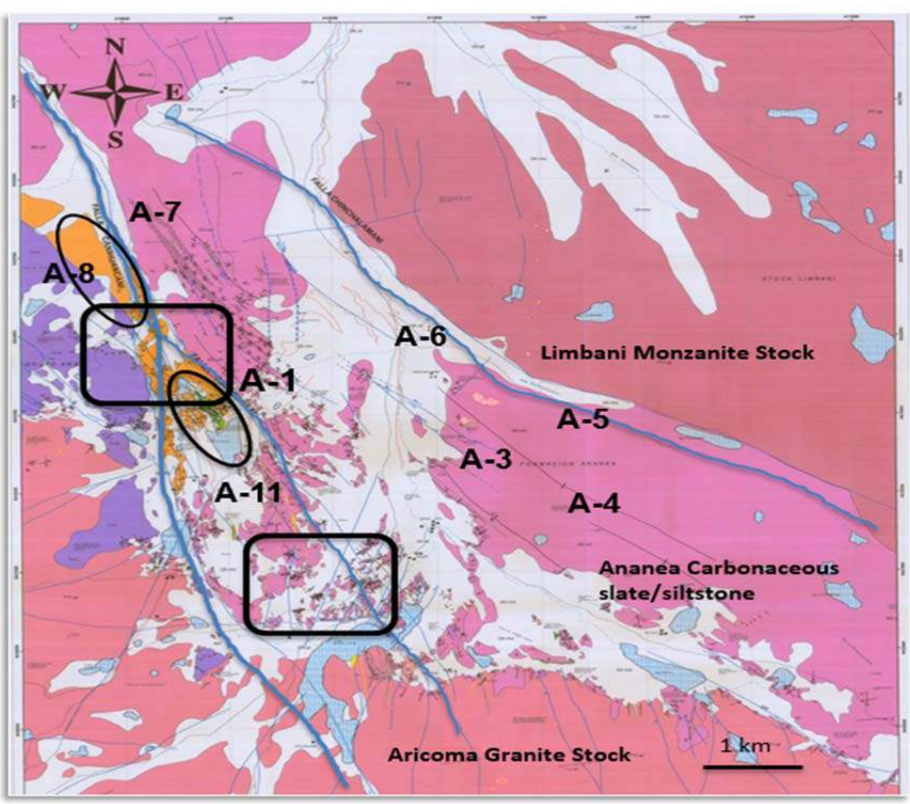
Figure 2: Crucero's A-1 Structural Corridor & 2014 Field Work Areas



Bold rectangles outline the areas sampled and investigated in 2014.

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 2: 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.

For the balance of 2014, exploration will be limited to additional surface field exploration.

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 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 June 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 certain 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 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 Project to June 30, 2014:

	Six months ended June 30, 2014 ($000's)	**Six months ended June 30, 2013** ($000's)	**Total from inception to June 30, 2014** ($000's)
Camp, community relations and related costs	494	1,056	4,465
Project administration	388	966	4,014
Technical reports, assays and related costs	8	216	1,231
Transportation, reclamation and professional fees	3	49	1,016
Drilling	–	–	2,595
	893	2,287	13,321

The carrying value of Crucero as at June 30, 2014 is $16,757,000 ($16,673,000 – December 31, 2013). The change in carrying value of $84,000 for the six months ended June 30, 2014 ($535,000 – six months ended June 30, 2013) is due to changes in foreign currency translation rates between the Canadian Dollar and Peruvian Nuevo Sol which occurred from December 31, 2013 to June 30, 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 June 18, 2014.

Josnitoro 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. It is located approximately 600 kilometres by road southeast of Lima in the Department of Apurimac, southern Peru. 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 meters and $300,000 to prepare a PEA.

Development Going Forward

Community relations and permitting activities have commenced and are continuing at the Josnitoro project. 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 by Q4-2014 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.

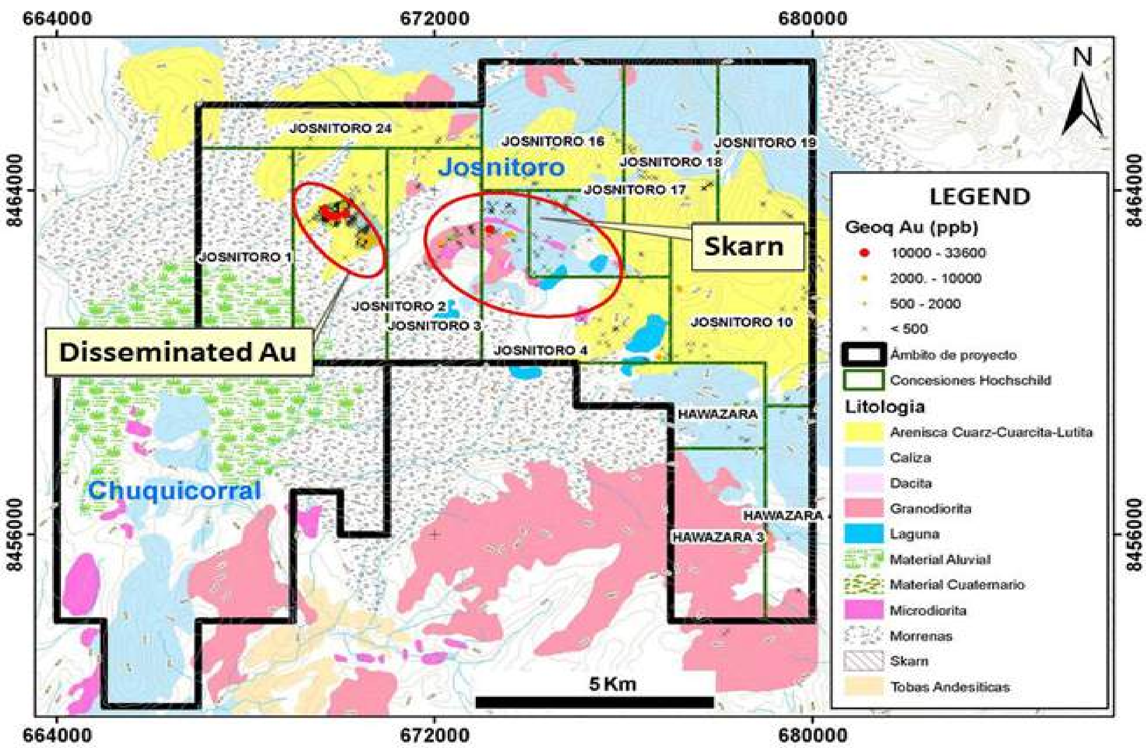
Exploration to date

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 3: 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 Region of Apurimac, and comprise:

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 June 30, 2014 and December 31, 2013 of the Josnitoro Gold Project, for which no consideration has been paid, is $Nil.

During the six months ended June 30, 2014, the Company incurred approximately $94,000 in expenditures (not including personnel costs) for Josnitoro, the majority of which was for concession fees. 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.

The Company evaluated over 75 projects throughout Peru during 2013 before optioning the Jostnitoro Gold property from Hochschild.

INVESTMENT IN SOUTHERN LEGACY

As a result of the AAG acquisition, 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 classifies 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 owns a total of 10,049,602 common shares in Southern Legacy, representing approximately 17% of the issued and outstanding ownership shares of Southern Legacy.

As at June 30, 2014, the aggregate fair market value of this investment was $1,005,000 ($904,000 – December 31, 2013), as indicated by the closing price of the shares as quoted by the TSX Venture Exchange (under the symbol, “LCY”), for which the Company recorded an impairment loss of $301,000 during the three months ended March 31, 2014 ($1,329,000 – six months ended June 30, 2013). The investment has increased in value by $402,000 in the three months ended June 30, 2014 ($Nil – three months ended June 30, 2013) and this has been recorded to other comprehensive income. Southern Legacy’s common shares also trade on the BVL.

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.

Selected Quarterly Information

The following table presents selected audited 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	**Jun-14**	**Mar-14**	**Dec-13**	**Sep-13**	**Jun-13**	**Mar-13**	**Dec-12**	**Sep-12**
Total revenues	$0	$0	$0	$0	$0	$0	$0	$0
Exploration expenses	$1,004	$580	$1,184	$750	$1,734	$1,658	$2,193	$1,624
General and administrative expenses	$351	$532	$748	$577	$770	$873	$963	$388
Interest (income)	$(5)	$(9)	$(8)	$(6)	$(19)	$(27)	$(34)	$(4)
Impairment loss on available-for-sale financial asset	$0	$301	$328	$0	$344	$985	$1,476	$0
Foreign exchange loss (gain)	$15	$(42)	$(79)	$35	$(56)	$(9)	$(20)	$7
Loss	$1,365	$1,362	$2,173	$1,356	$2,773	$3,480	$4,578	$2,015
Basic and diluted loss per share	$0.02	$0.02	$0.03	$0.02	$0.03	$0.04	$0.06	$0.05

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 impairment losses on the Company's investment in Southern Legacy, timing of the Company's exploration activities, the 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 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 accounting policy.

Financial results for the six months ended June 30, 2014 and 2013 are summarized as follows:

	Three months ended June 30,		**Six months ended June 30,**	
	2014 ($000's)	**2013 ($000's)**	**2014 ($000's)**	**2013 ($000's)**
Operating expenses				
Exploration	1,004	1,734	1,584	3,392
General and administration	351	770	883	1,643
Operating loss	1,355	2,504	2,467	5,035
Impairment loss on available-for-sale financial asset	–	344	301	1,329
Finance income – interest	(5)	(19)	(14)	(46)
Foreign exchange loss (gain)	15	(56)	(27)	(65)
Loss for the period	1,365	2,773	2,727	6,253
Loss per share - Basic and diluted	$0.02	$0.03	$0.03	$0.07

Three months ended June 30, 2014

Compared to the three months ended June 30, 2013 notable expense variances were as follows:

Exploration expenses

Exploration expenses relate to the Peru operations of the Company and totalled $1,004,000 for 2014 compared to $1,734,000 for 2013, a net decrease of $730,000 for the period which reflects the following:

- Project administration – these expenses totalled $347,000 for 2014 compared to $871,000 for 2013, with the decrease of $524,000 primarily being a result of:
    - An allocation of $37,000 of Canada senior management costs to Invicta; offset by
    - Cost reductions associated with reduced Peru staff levels and associated expenses of $544,000 for 2014; and
    - Individually miscellaneous cost reductions totalling $17,000.
- Camp, community relations and related costs – these expenses totalled $614,000 for 2014 compared to $786,000 for 2013, with the decrease of $172,000 primarily being a result of :
    - A $97,000 decrease in personnel costs as a result of a 53% reduction in camp and related personnel; and
    - Elimination of the use of the Crucero community relations contractor for 2014, for a net saving of $75,000.
- Technical reports, assays, and related costs – these expenses totalled $43,000 for 2014 compared to $50,000 for 2013, with the decrease of $7,000 being attributable to no Crucero metallurgical study work in 2014 (for a savings of $45,000), offset by pre-production consulting work of $38,000 for Invicta in 2014.
- Other exploration costs – a reduction of $27,000 in individually insignificant expenses.

General and administration expenses

All such expenses relate to the Canadian operations of Lupaka Gold and totalled $351,000 for 2014 compared to $770,000 for 2013, with the decrease of $419,000 being mainly the result of:

- Shareholder and investor relations ("IR") expenses totalled $81,000 for 2014 compared to $454,000 for 2013, a decrease of $373,000. This reflects:
  - An IR cost reduction of $258,000 relative to the second quarter 2013, when there were investor relations programs focused on the establishment of a European investor presence in the Company's shareholder base
  - Decreases of $67,000 attributable to reduced share-based compensation ("SBC") costs, staffing costs of $27,000 and I/R travel of $15,000; and
  - A reduction by $6,000 in individually insignificant IR costs.
- Salaries and benefits totalled $139,000 for 2014 compared to $195,000, a decrease of $56,000, which reflects:
  - An allocation of $37,000 of Canada senior management costs to Invicta; and
  - $19,000 of reduced SBC expenses for 2014.
- All offset by an increase in other individually insignificant general and administration expenses of $10,000.

Six months ended June 30, 2014

Compared to the six months ended June 30, 2013 notable expense variances were as follows:

Exploration expenses

Exploration expenses relate to the Peru operations of the Company and totalled $1,584,000 for 2014 as compared to $3,392,000 for 2013, a net decrease of $1,808,000 for the period which reflects the following:

- Project administration – these expenses totalled $555,000 for 2014 compared to $1,662,000 for 2013, with the decrease of $1,107,000 being a result of:
  - An allocation of $37,000 of Canada senior management costs to Invicta; offset by
  - Cost reductions associated with reduced Peru staff levels and associated expenses of $1,077,000 for 2014; and
  - Individually miscellaneous cost reductions totalling $67,000.
- Camp, community relations and related costs – these expenses totalled $976,000 for 2014 compared to $1,430,000 for 2013, with the decrease of $454,000 being a result of :
  - A $253,000 decrease in personnel costs as a result of a 53% reduction in camp and related personnel; and
  - Elimination of the use of the Crucero community relations contractor for 2014, for a net saving of $165,000; and
  - Individually insignificant miscellaneous cost savings totalling approximately $36,000.
- Technical reports, assays, and related costs – these expenses totalled $51,000 for 2014 compared to $222,000 for 2013, with the decrease of $171,000 being attributable to:
  - no Crucero geophysical and metallurgical studies in 2014 (for a savings of $209,000), offset by pre-production consulting work of $38,000 for Invicta in 2014.
- Other exploration costs – a reduction of $76,000 in transportation and other individually insignificant expenses.

General and administration expenses

All such expenses relate to the Canadian operations of Lupaka Gold and totalled $883,000 for 2014 compared to $1,643,000 for 2013, with the decrease of $760,000 being a result of:

- Salaries and benefits totalled $327,000 for 2013 compared to $646,000, a decrease of $319,000, with:
  - $211,000 being attributable to no management bonuses for 2014;
  - An allocation of $37,000 of Canada senior management costs to Invicta; and
  - $71,000 of reduced share-based compensation ("SBC") expenses for 2014.

- Shareholder and IR expenses totalled $280,000 for 2014 compared to $624,000 for 2013, a decrease of $344,000. This reflects:
  - An IR cost reduction of $258,000 relative to 2013, when there were investor relations programs focused on the establishment of a European investor presence in the Company's shareholder base; and
  - Decreases in IR staff and related SBC costs of $86,000.
- Professional and regulatory fees totalled $136,000 for 2014 compared to $209,000 for 2013, a decrease of $73,000, due to:
  - Reduced legal costs of $20,000;
  - Reduced professional fees of $18,000 from the elimination of auditor review engagements for 2014; and
  - the non-occurrence of the 2013 costs associated with the initial listing on the BVL of $35,000.
- Office and general – these expenses totalled $116,000 for 2014 compared to $145,000 for 2013, for a net decrease of $29,000 due mainly to reduced information technology and miscellaneous office costs.

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 three and six months ended June 30, 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:

	Three months ended June 30,		**Six months ended June 30,**	
	2014	2013	2014	2013
In thousands of dollars	$	$	$	$
Salaries and benefits	32	51	71	160
Project administration	17	23	37	61
Shareholder and investor relations	3	70	8	96
Camp and related	1	3	4	7
Consulting and other	1	2	2	5
Total share-based compensation	54	149	122	329

Liquidity and Capital Resources

(in thousands)	**June 30, 2014** ($000's)	**December 31, 2013** ($000's)
Cash and cash equivalents	1,426	3,906
Working capital (defined as current assets less current liabilities)	523	2,502
Total assets	30,651	33,106
Current liabilities	1,396	1,777
Shareholders' equity	29,255	31,329

The principal changes in the Company's cash during the six months ended June 30, 2014 were as follows:

- Cash used in operating activities in the six months ended June 30, 2014 was $2,723,000 ($4,246,000 – six months ended June 30, 2013), principally to fund the Company's loss for the period of $2,727,000 ($6,253,000 – six months ended June 30, 2013) which was offset by non-cash charges including depreciation of $86,000 ($163,000 – six months ended June 30, 2013), the impairment loss on the investment in Southern Legacy of $301,000 ($1,329,000 – six months ended June 30, 2013) and share-based compensation of $122,000 ($329,000 – six months ended June 30, 2013), as well as a net decrease of $501,000 in non-cash working capital (increase of $81,000 – six months ended June 30, 2013).

- Net cash from investing activities in the six months ended June 30, 2014 totalled $250,000, from the sale of equipment of $284,000 ($Nil – six months ended June 30, 2013) and purchases of equipment for $34,000 ($75,000 – six months ended June 30, 2013).

- The Company had no cash from or used in financing activities in the six months ended June 30, 2014 and 2013.

Total current liabilities as at June 30, 2014 were $1,396,000 ($1,777,000 - December 31, 2013), comprised of $1,024,000 ($1,406,000 - December 31, 2013) of accounts payable and accrued liabilities, mostly for current community obligations, and $372,000 of provisions for reclamation ($371,000 - December 31, 2013).

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 raises money 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.

Additionally, as of the MDA Date, the Company has implemented various cost-cutting measures, primarily in the areas of administration, investor relations and camp and related areas at Crucero.

As disclosed below (see "***Outstanding Share Data***"), the Company recently raised additional equity capital of approximately $1,610,000 and sold its shareholdings of Southern Legacy for net proceeds of approximately $995,000. Together with cash on hand of approximately $1,000,000, management believes that total cash and cash equivalents on hand as at the MD&A Date of approximately $3,600,000 will be sufficient to fund the Company's planned head office and Peru exploration activities through 2015.

Management continues to evaluate additional capital financing alternatives which are available to fund, if necessary, the estimated US$2,500,000 of pre-production expenditures needed to put the Invicta Gold Project into production by March 2015. If required, the Company can adjust its discretionary expenditures in the areas of administration and exploration to further preserve cash.

As at June 30, 2014 and December 31, 2013, the Company's aggregate common share capital was $56,380,000 representing 84,495,110 issued and outstanding common shares without par value. As at June 30, 2014 the Company had 612,500 share purchase warrants outstanding (7,279,167 – December 31, 2013) and 7,842,350 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 – 109,049,960 common shares, after including:
    - 7,842,350 stock options, with exercise prices ranging from $0.20 to $4.08, of which 6,896,100 options are vested; and
    - 8,662,500 common share purchase warrants (the "Warrants"), with exercise prices ranging from $0.30 to $1.87.

On August 7, 2014, Lupaka issued 8,050,000 units (the "Units") at a price of $0.20 per Unit (the "Placement"), for gross proceeds of $1,610,000. Each Unit consists of one common share in the capital of Lupaka (each, a "Common Share") and one Warrant. Each Warrant is exercisable into one Common Share at a price of $0.30 for a period ending August 6, 2017.

The Warrants are subject to an acceleration clause and 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 warrants by giving notice to the holders thereof through the issuance of a press release or written notice. In such case, the Warrants will expire on the 30th day after the date on which such notice is given.

Finders' fees payable in connection with the Placement consisted of a total of $64,500 in cash and 322,500 finders' warrants.

The Units and underlying securities and finders' warrants are subject to a four month hold period expiring on December 8, 2014.

Accumulated Deficit
The Company's accumulated deficit was $32,048,000 as at June 30, 2014 ($29,321,000 - December 31, 2013), with the increase in deficit of $2,727,000 reflecting the loss incurred for the six months ended June 30, 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 six months ended June 30, 2014 and 2013 are as follows:

- The Company paid consulting fees of $30,000 ($65,000 – six months ended June 30, 2013) to Gordann Consultants Ltd. These fees have been recorded as part of key management compensation.
- The Company paid consulting fees of $60,000 ($80,000 – six months ended June 30, 2013) to Havilah Holdings Ltd.
- The Company paid consulting fees of $Nil ($3,000 – six months ended June 30, 2013) to a family member of Gordon Ellis.

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 at June 30, 2014, there were no amounts payable to related parties.

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 November 2013, the IASB removed the mandatory effective date of IFRS 9, Financial Instruments (“IFRS 9”), which previously was effective January 1, 2015. Adoption of IFRS 9 could change the classification and measurement of financial assets and the extent of the effects of IFRS 9 on the interim financial statements has not been determined.

Significant accounting judgements and key sources of estimate uncertainty
In preparing its consolidated financial statements, the Company is required to make judgements, 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 judgements 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.

Judgements

In preparing its interim financial statements, the Company is required to make judgements, 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 judgements 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 interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting using accounting policies consistent with IFRS. As such, the interim 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 investment in Southern Legacy is 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, including credit, liquidity, market, foreign exchange, interest rate, and commodity price risks.

Financial risk management is carried out by the Company's management team with oversight from the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

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.

Companies can apply for recovery of Impuesto General A Las Vuentas ("IGV") on certain exploration expenditures as they are incurred in Peru. IGV is a value-added tax charged at a rate of 18% on all goods and services. IGV expenditures are generally refundable if recovery is applied for after the related expenditures are approved by the Peru Government's tax authority, SUNAT, and paid. Effective from August 2012 through December 2013, the Company has applied for such eligible recoveries.

The portion estimated by management to be refundable is included in trade and other receivables, and the amount not refundable to the Company is expensed as part of the related operating expense or would be capitalized to mining properties if the Company had established mineral reserves in accordance with the Company's related accounting policy. In addition, any amount not refunded to the Company can be used to offset amounts due to the Peruvian Revenue Service by the Company resulting from IGV charged to domestic customers on future sales as and when these occur. Moreover, if the Company recovers amounts that have been deferred, the amount received would be applied to reduce capitalized mining property costs or taken as a credit against current exploration expenses, depending on the prior accounting treatment made.

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. Cash and cash equivalents on hand at June 30, 2014 are considered to be sufficient to fund the Company's ongoing operational needs through to the end of 2014.

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 a portion of its expenses are incurred in 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 its financial assets and liabilities denominated in US Dollars ("US$").

Price risk
Management is not aware of any price risk exposure for any of its financial instruments, the holdings of which are not material.

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

Commodity price risk
Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold has fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for gold. A decline in the market price of gold may also require the Company to reduce its mining interests, which could have a material and adverse effect on the Company's value. As of June 30, 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 judgement 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 investment in Southern Legacy is 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.

Changes in Internal Controls Over Financial Reporting

During the six months ended June 30, 2014, there was no change in the Company's internal control over financial reporting that materially affected, or is 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. As of the date of this MD&A, management is not aware of any significant change(s) in the nature or status of the Risk Factors contained in the Company's AIF.