2013 Annual Report

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CHAIRMAN'S MESSAGE

Dear Shareholders;

While times continue to be tough for junior exploration companies, with many explorers struggling to raise needed financing, we are seeing signs that point towards improving market conditions.

TSX average daily trading volumes are up over 2013 and there has been some very interesting M&A activity to date, at the small, medium and large-tier company levels in Canada's mining industry. While those are good signs, I sense that investors who are looking hard at positioning themselves for the next gold bull cycle are particularly focused on companies which have established management and quality projects. Investors are also looking for companies with a cash balance to survive these markets should they continue for another year. Lupaka Gold meets those criteria and, hence, we believe the Company is well–positioned in today's volatile markets.

In Peru, a very mining-centric economy, foreign investment and project permitting are substantially up over last year. Federal and local governments have shown consistent and improving support to advance Lupaka's projects as well. We continue to see Peru as a very stable mining jurisdiction with very significant resource exploration potential, particularly in gold. A few high-profile and large capex projects in Peru have been receiving significant attention in the North American press this past year for social and cost overrun problems, and may be reflecting poorly on Peru based companies equities. The reality however, is that small and medium size projects in Peru are proceeding ahead at a near-record pace with excellent social and government support. In this market, small is good.

As part of our ongoing focus in Peru, we are pleased to have added two Lima-resident directors to Lupaka Gold's board at last year's annual general meeting, Mr. Hernan Barreto and Mr. Jaime Pinto. These gentlemen are long-time participants in the Peruvian mining and finance world, with specific expertise in engineering and law. We are also pleased to have Luquman Shaheen, President of Panoro Minerals Ltd., on our board, who brings his particular experience in Peruvian exploration and permitting to the Company. We appreciate these board members and their Peru experience and the cultural and business advice that they contribute. Together with our experienced management, technical and administrative teams, we have a very capable and well-rounded operations management group.

Recently, the Company has completed much of the preparatory work needed prior to beginning to develop its wholly-owned Invicta Gold Project. The Company's intention is to begin producing on this property within the next 12 months and to take advantage of the deposit's high grade mineralization to provide positive cash flow. Most of the mine development work has been completed so relatively little capital investment will be necessary by utilizing a total contract mining and processing strategy. In these difficult economic times, any company that is creating its own cash flow is at a distinct advantage. Lupaka Gold continues to explore on the Crucero Gold Property, has recently entered into the Josnitoro joint venture agreement with Hochschild Mining plc on what we see as being an excellent property in central Peru, and we will continue to look for new prospects.

Cycles such as we've recently experienced are normal for the mining industry and we are confident that the industry will see a recovery as it always has before. When that happens, Lupaka Gold expects to be in a position to thrive and grow and I believe provide exceptional shareholder value growth.

I want to personally thank the directors and management of the Company for their continued dedication, hard work and support. All of our stakeholders benefit from their insight and experience, and we recognize their contribution to the Company's success.

On behalf of the Company's board of directors, I express our gratitude for your continued support.

Gordon Ellis
Chairman of the Board









PRESIDENT'S MESSAGE

To Our Shareholders;

Lupaka Gold pursued its strategic vision with energy throughout 2013, accomplishing most of our stated objectives and business goals, by:

- Adding to our technical team in Peru, beginning with a new President of our Peruvian subsidiary and adding a very experienced and accomplished geology team;
- Completing our listing on the Lima Stock Exchange;
- Adding two new Peruvian resident directors to the Lupaka Gold board;
- Upgrading the Crucero Gold Project resource estimate by having SRK Consulting (Canada) Inc. prepare a conceptual whittle pit in order to apply an economic constraint on the Crucero resource estimate;
- Completing our third campaign of metallurgical testing of the Crucero resource, which delivered positive results;
- Receiving a new 4-year Crucero community agreement;
- Receiving an EIA-SD exploration permit for Crucero that will allow us to conduct future large-scale and long-term exploration activities;
- Optioning the exciting Josnitoro Gold Project which gives us an opportunity to partner with Hochschild Mining plc, one of Peru's most effective mining teams;

- Implementing investor relations activities in Europe, towards establishing a new shareholder base there; and
- Completing a number of cost reduction initiatives, allowing us to finish the year with $3.9 million in cash and equivalents.

I am once again thankful to our team of professionals in Peru and Canada for their dedication, energy, hard work and creativity to make all of the above happen.

I thank you, our shareholders, and our board of Directors for your continued support through these difficult times. We do not intend to merely "survive" this market, we intend to add value and adjust our business model to take advantage of opportunities as they arise to build a successful business. We have again set an aggressive agenda for 2014, as we further advance our projects towards production.

2013 Exploration Results – Resource Growth and Project Acquisition

At the beginning of 2013, we were able to increase the size of our Crucero resource by 13.4% as a result of drilling completed in 2012. Subsequently, we engaged SRK Consulting (Canada) to undertake an independent engineered conceptual pit design for Crucero as the resource had grown to a size and depth that necessitated such work. SRK's work significantly improved the quality and confidence for the Crucero resource, with over 92% of the original gold resource total ounces being contained in the constrained pit. Additionally, SRK's work demonstrated that Crucero is relatively insensitive to declines in gold market price assumptions.

During 2013, our geology teams completed their field reconnaissance on the eastern half of the Crucero property, and work is continuing with a goal to identify high-probability drill targets and discover the next Crucero gold resource zone.

We believe that we have identified the key structural and stratigraphic controls at Crucero and are focussed on the *A-1 Structural Corridor* to the northwest and southeast of our existing resource location.

Our business development team was assembled early in 2013 and evaluated in excess of 70 exploration projects before optioning Josnitoro from Hochschild. While it is still early days, with much exploration work to be done, we believe that Josnitoro may host a large-scale copper skarn porphyry with disseminated gold on the perimeter. We are also happy to be partnered with a quality miner like Hochschild.

People and Relationships – The Keys to Sustainability

Our social and community teams have created a strong and stable foundation upon which we are able to build our future relationships. Our new 4-year Crucero community agreement was overwhelmingly approved and supported in the community meetings. We have now set a standard for open communication, and consistent and fair treatment with demonstrable commitments to long-term relationships.

We continue to provide local infrastructure improvements, education assistance, medical and veterinarian care, sustainable business incentives, as well as other programs.

2014 Year Ahead – Focus on Fundamentals and Market Opportunities

During 2013, we conducted a limited solicitation process to attract a joint venture partner for our Invicta Gold Project who could assist us in taking this project into production. While that process did not attain its intended objective, our ongoing Invicta technical evaluations led us to another and what we believe will be an even better end result. We recently announced our intention to begin the permitting process to commission a 300 tonne per day mining operation at Invicta in early 2015, undertaking such an operation on our own by utilizing a total contract-mining strategy.

With more than $15 million spent by previous owners on exploration, establishing the portal, and developing 1.2 kilometers of underground primary tunnels and cross-cuts accessing Invicta's highest-grade mineralization, we believe that we can commission a small-scale mining operation in less than 12 months and at a cost of $2.0 million. Our objectives for Invicta include:

- Generating positive cash flow
- Minimizing initial capital costs
- Utilizing the existing 1.2 km of primary development built by previous owners
- Contracting out all extraction, transport and processing
- Targeting the highest grade mineralized blocks
- Avoiding additional surface disturbance to the extent possible
- Permitting as quickly as possible
- Evaluating a future production expansion
- Operating safely, with sensitivity to local communities, infrastructure, culture, etc.
- Planning towards a joint venture mining partner earn-in within 12-18 months of initial production

We believe that the near-term positive cash flow potential of Invicta is compelling and that it will provide the Company with some exciting strategic options going forward. We believe that production at Invicta would be optimized at a higher throughput, and that is our long-term operating objective for the project. However, starting sooner and smaller as a first step will create more immediate value for Lupaka Gold shareholders, and will be a major step towards an ultimate objective in expanding an Invicta operation and attracting potential joint venture operating/financing partners.

Crucero and Josnitoro exploration will continue depending upon the results achieved, and our financial capability to pursue such opportunities.

Community relations will continue to be a major focus for our Peru team as we build on the foundation of trust and respect with our local communities, families and stakeholders in Peru.

I remain very excited about the future and the opportunities for Lupaka Gold and the transitioning of our first project to a gold producer stage, and I believe that the fundamentals of the Company are solid.

Again, we will demonstrate that our vision and values can create long-term, sustainable and repeatable value to shareholders.

We thank you for your support of Lupaka Gold.

Eric Edwards
President and CEO

Lupaka Gold Corp.

Our Vision:

- Commission operations, production and positive cash flow from the Invicta Gold project;
- Deliver on the full exploration potential of the Crucero Gold Project and the Josnitoro Gold Project;
- Discover a new gold resource property within a new Peruvian gold district; and
- Leverage our unique experience, skills and relationships to grow our exploration pipeline throughout South America.

Our Values:

- Operate safely, with environmental and social responsibility;
- Act with honesty and integrity to gain trust and respect from all stakeholders;
- Encourage and implement creative engineering and exploration solutions; and
- Actively listen and develop open and transparent communication with local communities and stakeholders in Peru.

See www.lupakagold.com for other news on Lupaka Gold including periodic updates, press releases, recent news, photos and to sign-up to receive e-mails and press releases.

Forward Looking Information

The chairman's message and the president's message in this annual report contain "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws and regulations in Canada and the United States (collectively, "forward-looking information"). Such forward-looking information is made as of the date of this annual report. Except as required under applicable securities legislation, the Company does not intend, and does not assume any obligation, to update this forward-looking information. Forward-looking information includes, but is not limited to, statements with respect to mineral resource estimates, the plan of a mining operation at the Invicta Gold Project and to complete all the objectives to be operational by early 2015, the planned work programs to explore at the Crucero Gold Project and the Josnitoro Gold Project, future growth of mineral resources, corporate objectives and plans, expected outcomes and shareholder value and growth. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "objectives", "forecasts", "opportunities", "intends", "anticipates", or "believes", or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "can", "may", "appears", "could", "should", "would", "might", "potentially" or "will" be taken, occur or be achieved.

The forward-looking information contained in the chairman's message and the president's message in this annual report is based on certain assumptions that the Company believes are reasonable, including, with respect to mineral resource estimates, the key assumptions and parameters on which such estimates are based, that the current price of and demand for gold will be sustained or will improve, that general business and economic conditions will not change in a material adverse manner, that financing will be available if and when needed on reasonable terms, that contractors, supplies, equipment, personnel, permits and local community approval required to conduct the Company's planned operations, exploration and development activities will be available on reasonable terms and that the Company will not experience any material accident, labour dispute, or failure of equipment.

However, 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 factors include, among others, risk that actual results of mining operations and exploration activities will be different than anticipated, that cost of contractors, labour, equipment or materials will increase more than expected, that the future price of gold will decline, that the metrics used in the valuation of our stock could vary, that the Canadian dollar will strengthen against the U.S. dollar, that mineral resources are not as estimated, unexpected variations in mineral resources, grade or recovery rates, risk of accidents, labour disputes and other risks generally associated with mining operations and mineral exploration and unanticipated delays in obtaining or failure to obtain governmental or community approvals or financing. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in the forward-looking information, there may be other factors that cause actions, events or results to not 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. Readers are cautioned not to place undue reliance on forward-looking information due to the inherent uncertainty thereof.

Caution Regarding Invicta Production Decision

The decision to commence production at the Invicta Gold Property referred to herein was based on economic models prepared by the Company in conjunction with management's knowledge of the property and the existing preliminary estimate of measured 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 National Instrument 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.

March 28, 2014

Independent Auditor's Report

To the Shareholders of Lupaka Gold Corp.

We have audited the accompanying consolidated financial statements of Lupaka Gold Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lupaka Gold Corp. and its subsidiaries as at December 31, 2013 and December 31, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

Lupaka Gold Corp.

Consolidated Statements of Financial Position
As at December 31, 2013 and 2012

(expressed in thousands of Canadian Dollars)

	December 31, 2013 $	December 31, 2012 $
Assets		
Current assets		
Cash and cash equivalents	3,906	10,716
Trade and other receivables (Note 5)	222	432
Prepaid expenses and deposits	151	152
	4,279	11,300
Non-current assets		
Investment in Southern Legacy Minerals Inc. (Note 7)	904	2,510
Equipment (Note 6)	669	1,003
Mineral properties (Note 8)	27,254	27,967
Total assets	33,106	42,780
Liabilities		
Current liabilities		
Trade and other payables	1,406	1,019
Provision for reclamation	371	544
	1,777	1,563
Equity		
Common shares (Note 10(a))	56,380	55,782
Share purchase warrants (Note 10(b))	716	802
Contributed surplus	2,811	2,107
Share-based contingent consideration (Note 8)	–	598
Deficit	(29,321)	(19,539)
Accumulated other comprehensive income	743	1,467
Total equity	31,329	41,217
Total liabilities and equity	33,106	42,780

Nature of operations (Note 1)

Commitments and contingencies (Notes 8 and 16)

Approved and authorized for issue by the Board on March 26, 2014.

signed " Eric Edwards"	*signed "John Graf"*
Director	Director

The accompanying notes are an integral part of these consolidated financial statements.

Lupaka Gold Corp.

Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2013 and 2012

(expressed in Thousands of Canadian Dollars, Except Share Data)

	2013 $	2012 $
Operating expenses		
Exploration		
Project administration	2,772	1,477
Camp, community relations and related costs	2,134	1,722
Technical reports, assays and related costs	320	461
Transportation	58	238
Reclamation	27	155
Consulting and professional fees	15	286
Drilling	–	1,136
	5,326	5,475
General and administration		
Salaries and benefits	1,094	1,174
Shareholder and investor relations	1,175	594
Professional and regulatory fees	414	434
Office and general	238	254
Travel	47	40
Corporate development	–	177
	2,968	2,673
Operating loss	8,294	8,148
Impairment loss on available-for-sale financial asset (Note 7)	1,657	1,476
Finance expense	–	22
Finance income	(60)	(58)
Foreign exchange (gain) loss	(109)	8
Loss for the year	9,782	9,596
Loss attributable to:		
Equity owners of the parent	9,782	9,568
Non-controlling interest	–	28
	9,782	9,596
Weighted average number of shares outstanding, basic and diluted	84,242,363	53,656,653
Loss per share, basic and diluted	$0.12	$0.18

Consolidated statements of comprehensive loss	**2013 $**	**2012 $**
Loss for the year	9,782	9,596
Items that may be subsequently reclassified to profit or loss		
Currency translation adjustment on foreign operations	724	(1,190)
Comprehensive loss	10,506	8,406
Comprehensive loss attributable to		
Equity owners of the parent	10,506	8,363
Non-controlling interest	–	43

The accompanying notes are an integral part of these consolidated financial statements.

Lupaka Gold Corp.

Consolidated Statements of Cash Flows
For the years ended December 31, 2013 and 2012

(expressed in Thousands of Canadian Dollars)

	2013 $	2012 $
Cash flows from (used in) operating activities		
Loss for the year	(9,782)	(9,596)
Adjustment for items not affecting cash:		
Foreign exchange loss on amount payable to non-controlling interest	–	7
Depreciation	350	128
Impairment loss on available-for-sale financial asset	1,657	1,476
Share-based compensation	618	854
Finance expense income, net	–	(36)
Write-down of equipment	89	26
Gain on sale of equipment	(7)	–
	(7,075)	(7,141)
Changes in non-cash working capital		
Trade and other receivables	210	(130)
Prepaid expenses and deposits	1	(26)
Due to related parties	–	(288)
Trade and other payables	387	(712)
Provision for reclamation	(173)	158
Finance income received	–	58
Net cash used in operating activities	(6,650)	(8,081)
Cash flows from (used in) investing activities		
Purchase of equipment	(107)	(309)
Purchase of available-for-sale financial asset	(52)	–
Sale of equipment	10	–
Cash acquired on acquisition of Andean American Gold Corp. (“AAG”)	–	13,502
Final payment for purchase of initial 60% interest in Lupaka Gold Peru S.A.C. (“LGP”) (Note 4)	–	(3,057)
Transaction costs on purchase of AAG	–	(770)
Net cash (used in) from investing activities	(149)	9,366
Cash flows from (used in) financing activities		
Purchase of non-controlling interest of LGP (Note 4)	–	(4,076)
Proceeds from exercise of share options	–	50
Net cash used in financing activities	–	(4,026)
Net decrease in cash and cash equivalents	(6,799)	(2,741)
Cash and cash equivalents - beginning of year	10,716	13,477
Effect of foreign exchange rate changes on cash and cash equivalents	(11)	(20)
Cash and cash equivalents - end of year	3,906	10,716

The accompanying notes are an integral part of these consolidated financial statements.

Lupaka Gold Corp.

Consolidated Statements of Changes in Equity
For the years ended December 31, 2013 and 2012

(expressed in Thousands of Canadian Dollars, Except Share Data)

	2013		2012	
	Number	**$**	**Number**	**$**
Common shares (Note 10(a))				
Balance – beginning of year	81,751,769	55,782	39,462,451	24,603
Shares issued (Note 8)	3,221,127	598	–	–
Return to treasury (Note 8)	(477,786)	–	–	–
Issued for acquisition of AAG (Notes 4 and 10 (a))	–	–	36,989,318	25,893
Issued for remaining interest in LGP	–	–	5,200,000	5,200
Options exercised	–	–	100,000	86
Balance – end of year	84,495,110	56,380	81,751,769	55,782
Share purchase warrants (Note 10 (b))				
Balance – beginning of year		802		802
Share purchase warrants expired		(86)		–
Balance – end of year		716		802
Contributed surplus (Note 10 (c))				
Balance – beginning of year		2,107		1,289
Share-based payment expense		618		854
Share purchase warrants expired		86		–
Options exercised		–		(36)
Balance – end of year		2,811		2,107
Share-based contingent consideration (Note 8)				
Balance – beginning of year		598		598
Shares issued (Note 8)		(598)		–
Balance – end of year		–		598
Deficit				
Balance – beginning of year		(19,539)		(6,202)
Purchase of non-controlling interest (Note 4)		–		(3,769)
Loss for the year – attributable to the shareholders of the Company		(9,782)		(9,568)
Balance – end of year		(29,321)		(19,539)
Accumulated other comprehensive income				
Balance – beginning of year		1,467		262
Currency translation adjustment on foreign operations		(724)		1,205
Balance – end of year		743		1,467
Non-controlling interest				
Balance – beginning of year		–		5,758
Comprehensive loss for the year – attributable to the non-controlling interest		–		(43)
Acquisition of non-controlling interest by the Company		–		(5,715)
Balance – end of year		–		–
		31,329		41,217

The accompanying notes are an integral part of these consolidated financial statements.

1 Nature of operations

Lupaka Gold Corp. ("Lupaka") was incorporated in Canada on November 3, 2000 under the legislation of the Province of British Columbia, and is in the business of acquiring and exploring mineral resource properties. Lupaka was dormant prior to January 1, 2010.

All of Lupaka's resource properties are located in Peru and are held by Lupaka's 100%-owned subsidiaries. In January 2012, Lupaka acquired the remaining 40% of Lupaka Gold Peru S.A.C. ("LGP", formerly known as Minera Pacacorral S.A.C.) that it did not own, and on October 1, 2012 Lupaka acquired 100% of the shares of Andean American Gold Corp. ("AAG") and its subsidiaries, and a 17% ownership interest in Southern Legacy Minerals Inc. ("Southern Legacy") – see Notes 4 and 7.

Lupaka's registered office is located at 700 – 595 Howe Street, Vancouver, BC, V6C 2T5 and its records office is located at 428 – 800 West Pender Street, Vancouver, BC, V6C 2V6. Lupaka's common shares trade in Canada on the Toronto Stock Exchange ("TSX") and 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 under the symbol LQP. Lupaka's share purchase warrants trade on the TSX under the symbol LPK.WT.

Collectively, Lupaka, LGP and AAG and its subsidiaries are referred to hereafter as "the Company".

On an ongoing basis, the Company examines various financing alternatives to address future funding requirements, though there is no guarantee of the sufficiency or success of these initiatives.

2 Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently followed, unless otherwise stated.

2.1 Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Company's Board of Directors on March 26, 2014.

2.2 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for investments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2.3 Basis of consolidation

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of loss and comprehensive loss from the effective date of acquisition up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the results of subsidiaries to bring their accounting policies into line with those used by the Company. Inter-company transactions, balances, loss, comprehensive loss and expenses are eliminated on consolidation, where appropriate.

The consolidated financial statements include the accounts of Lupaka and its subsidiaries, all of which are 100% owned:

- AAG, a Canadian company
- LGP, a Peruvian company
- Invicta Mining Corp S.A.C. ("IMC"), a Peruvian company
- Andean Exploraciones S.A.C. ("AES"), a Peruvian company (inactive)
- Greenhydro S.A.C. ("Greenhydro"), a Peruvian company (inactive)

2.4 Non-controlling interest

Effective January 2012, Lupaka acquired the remaining 40% of LGP. Prior to this acquisition, non-controlling interest represented equity interests in LGP owned by the non-controlling shareholders of LGP. The share of net assets of LGP attributable to non-controlling interest is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the Lupaka's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

2.5 Significant accounting judgements and key sources of estimate uncertainty

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

Significant accounting judgments

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

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

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

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

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

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

No loss provision regarding possible additional tax assessments – the decision that no loss provision be made regarding the challenge to the deductibility of certain property write-offs and foreign exchange losses by SUNAT, the Peruvian tax authority, is based on the Company's opinion that the deductions are legitimate and can be successfully defended in the appeals process available under Peruvian law. See Note 16.

Key sources of estimate uncertainty

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

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

2.6 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

During the years ended December 31, 2013 and 2012, the Company had related party transactions (see Note 9 (a)) with K-Rok Minerals Inc. ("K-Rok", a significant shareholder of the Company), which is owned 60% by ABE Industries Inc. ("ABE"), 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.

3 Significant accounting policies

3.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in Canadian Dollars, which is Lupaka's and AAG's functional currency. The functional currency of LGP, IMC, AES and Greenhydro is the Peruvian Nuevo Sol.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items are re-valued using the spot rate at the consolidated statements of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss. When a gain or loss on a non-monetary item is recognized in other comprehensive loss or income, any foreign exchange component of that gain or loss is recognized in other comprehensive loss or income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(c) Subsidiaries

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the date of that statement of financial position.

(ii) Income and expenses for each statement of loss are translated at average exchange rates for the period.

(iii) Equity items are translated at historical rates.

(iv) All resulting exchange differences are recognized in other comprehensive loss until the disposal of the subsidiary.

When the Company disposes or no longer controls a foreign operation, the foreign currency gains or losses accumulated in other comprehensive loss related to the foreign operation are recognized in loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive loss or income related to the subsidiary are reallocated between controlling and non-controlling interests.

3.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with maturities of three months or less from date of purchase.

3.3 Trade and other receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost, less any provision for impairment. Receivables are classified as loans and receivables. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due, according to the original terms of the receivables.

3.4 Trade and other payables

Trade and other payables, including amounts due to related parties, are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are classified as other financial liabilities measured initially at fair value and subsequently measured at amortized cost.

3.5 Equipment

Equipment is stated at cost less accumulated depreciation and impairment losses. The cost of an asset consists of its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Depreciation of each asset is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life. The estimated useful lives of equipment are as follows:

Office equipment and furniture:	2 to 10 years
Vehicles and field equipment:	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized within the statement of loss and comprehensive loss.

3.6 Mineral properties

Mineral properties are stated at cost less accumulated amortization and accumulated impairment charges. The costs associated with mineral properties include direct costs and acquired interests in production, development and exploration stage properties. Mineral properties also include the capitalized costs of associated mineral properties after acquisition of the properties, the costs incurred during the development of mineral properties (once feasibility has been established) and the deferred stripping costs after the commencement of production. When mineral properties are brought into production, they will be amortized on a unit-of-production basis. Upon sale or abandonment of mineral properties, the cost and related accumulated depreciation are written off and any gains or losses thereon are included in income or loss for the year.

The carrying values of capitalized amounts are reviewed annually or when indicators of impairment are present. In the case of undeveloped projects, there may be only inferred resources to form a basis for the impairment review. The review is based on the Company's intentions for development of such a project. If a project does not prove viable, all unrecoverable costs associated with the project are charged to loss in the year in which the property becomes impaired.

3.7 Exploration and evaluation expenditures

Exploration and evaluation expenditures comprise costs which are directly attributable to: researching and analyzing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. All exploration and evaluation expenditures are expensed as incurred.

Once management has determined that the development potential of the property is economically viable, the decision to proceed with development has been approved, and the necessary permits are in place for its development, development costs will be capitalized to mineral properties.

3.8 Impairment of non-current assets

At each reporting date, the Company reviews the carrying amounts of its non-current assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent with other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. The Company has determined that it has two CGU's. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense in the consolidated statement of loss and comprehensive loss.

Non-current assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset or CGU in prior years. A reversal of impairment is recognized as a gain in the consolidated statement of loss and comprehensive loss.

A significant or prolonged decline in the fair value of a security below its cost is evidence that the assets are impaired. The Company considers a prolonged period to be six months from the time that the carrying value is below cost, while taking into consideration the investment volatility in its determination of a significant decline.

3.9 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.

3.10 Share capital

Common shares are classified as equity. The proceeds from the exercise of share options or warrants together with amounts previously recorded on grant date or issue date are recorded as share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.11 Share-based compensation

The Company has a share-based compensation plan under which the entity receives services from employees, directors and non-employees as consideration for equity instruments (share options) of the Company.

The fair value of share options granted to employees is measured on the grant date and share options granted to non-employees are measured on the date that the goods or services are received.

The fair value of the employee services received in exchange for the grant of the options is recognized as an expense, with a corresponding increase in contributed surplus. The total amount to be expensed is determined by reference to the fair value of the options granted and the related vesting periods. The fair value is determined by using the Black-Scholes option pricing model where the fair value of services cannot be estimated reliably. Non-market vesting conditions are included in the estimate of the number of options expected to vest. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of options expected to vest. Any change from estimate is recognized with a corresponding adjustment to equity. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

When share options are exercised, the proceeds received and the initial fair value of the share options in contributed surplus are credited to share capital.

No expense is recognized for awards that do not ultimately vest.

3.12 Share purchase warrants

Share purchase warrants (“warrants”) are measured at their fair value on the date of grant and are recorded as a separate component of equity. When a warrant is exercised, the initial fair value of the warrant, as determined on the grant date, is transferred to share capital. The initial fair values of warrants that expire unexercised are transferred to contributed surplus.

3.13 Loss per share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding, if dilutive. Diluted loss per share is calculated using the treasury share method, in which the assumed proceeds from the potential exercise of those share options and warrants whose average market price of the underlying shares are used to purchase the Company's common shares at their average market price for the period. In a year when net losses are incurred, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

For the year ended December 31, 2013, 15,718,517 (December 31, 2012 – 14,427,642) shares to be issued on the exercise of share options and share purchase warrants have been excluded from the calculation of diluted loss per share because the effect is anti-dilutive.

3.14 Provisions and contingent liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized within financing costs.

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. Contingent liabilities are not recognized in the consolidated financial statements, but are disclosed unless the possibility of an outflow of economic resources is considered remote.

3.15 Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of loss and comprehensive loss for the year, except to the extent that it relates to items recognized in other comprehensive loss or income or directly in equity. In this case, the tax is also recognized in other comprehensive loss or income or directly in equity, respectively.

(a) Current tax

Current income taxes are calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Chief Executive Officer. The Chief Executive Officer, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the person who makes strategic decisions as the chief operating decision maker.

The Company’s operations are limited to a single reportable segment, being exploration and development of mineral properties. The Company’s geographical segments are determined by the location of the Company’s assets and liabilities.

3.17 New standards and interpretations

On January 1, 2013, The Company adopted the following new and revised standards:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement

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 consolidated financial statements has not been determined.

In May 2013, the IASB published IFRS Interpretations Committee Interpretation 21 (“IFRIC 21”), Levies, which provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and those where the timing and amount of the levy is certain. IFRIC 21 does not include income taxes (covered under IAS 12, Income Taxes), fines and other penalties, liabilities arising from emissions trading schemes and outflows within the scope of other Standards. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. Adoption of IFRIC 21 is not expected to have a significant effect on the consolidated financial statements of the Company.

In addition during 2013 there have been amendments and clarification to existing standards, including IAS 1, Presentation of Financial Statements, which are not expected to have a significant effect on the consolidated financial statements of the Company. The amendments to IAS 1 are not effective to the Company until January 1, 2014.

4 Acquisitions

Purchase of remaining interest in LGP

Effective January 19, 2012, the Company acquired the remaining 40% interest in LGP. As a result, the Company now owns 100% of the Crucero Gold Project ("Crucero"). The Company acquired the remaining 40% interest in LGP from the non-controlling shareholders of LGP for a total purchase price of $4,075,600 (US $4,000,000) in cash and 5,200,000 common shares of the Company (with a fair value of $1.00 per share – Note 10 (a)). As part of the closing of the acquisition, the Company made an early payment of the final $3,057,000 (US $3,000,000) that was required to be paid by July 15, 2012 to complete the Company's acquisition of its initial 60% interest in LGP.

For accounting purposes, the initial acquisition of 60% of LGP was considered a purchase of assets. The Company's purchase of the remaining 40% of the shares of LGP has been accounted for as an equity transaction with the excess in fair value of consideration, less equity of the non-controlling interest, allocated to deficit.

The following is a summary of the LGP-related purchase price components, and the allocation of equity acquired on January 19, 2012:

In thousands of dollars	Purchase price $
Cash consideration paid	4,076
Fair value attributed to early payment	208
Fair value of 5,200,000 common shares issued	5,200
Non-controlling interest as at January 19, 2012	(5,715)
Charged to deficit	3,769

Acquisition of AAG

Effective October 1, 2012, the Company completed the previously announced Plan of Arrangement with AAG (the "Closing") whereby each AAG common share was exchanged for 0.245 common shares of Lupaka. The acquisition of AAG has been accounted for as a purchase of assets.

All AAG options outstanding at the Closing ("AAG Options") were deemed to be exchanged for stock options of Lupaka, issued under the Lupaka Stock Option Plan, on the basis of 0.245 of a Lupaka common share for one AAG common share, at an exercise price per Lupaka common share determined by dividing the exercise price per AAG common share subject to such AAG Option by 0.245.

All AAG share purchase warrants outstanding at the Closing ("AAG Warrants") were maintained by Lupaka, in accordance with the terms and conditions of the original AAG Warrants, in a number determined on the basis of 0.245 of a Lupaka common share for one AAG common share, at an exercise price per Lupaka common share determined by dividing the exercise price per AAG common share subject to such AAG Warrant by 0.245.

The purchase price, totalling $26.7 million, reflects the following:

i) The fair value of the Lupaka shares issued based on the issuance of 36,989,318 common shares of Lupaka at Cdn$0.70 per share, which represents the market price of the common shares on the date of issuance; and

ii) Lupaka's transaction costs totalling $770,288.

The following is a summary of the purchase price components, and the allocation of the net assets acquired on October 1, 2012:

In thousands of dollars	Purchase price $
36,989,318 common shares of Lupaka	25,893
Transaction costs	770
Purchase price	26,663
Net assets acquired:	
Cash and cash equivalents	13,502
Other current assets	182
Investment in Southern Legacy	3,986
Plant and equipment	583
Current liabilities	(1,842)
Mineral properties	10,252
Net assets acquired	26,663

The fair value of the investment in Southern Legacy was based on the publicly-traded market value as at the Company's date of acquisition of AAG.

5 Trade and other receivables

The Company's trade and other receivables consist of goods and services taxes due from the Governments of Canada and Peru. The Company anticipates full recovery of its outstanding trade and other receivables within one year.

6 Equipment

In thousands of dollars	Vehicles and field equipment $	Office equipment and furniture $	Total $
Cost			
Balance as at December 31, 2011	233	72	305
Acquired on acquisition of AAG	521	61	582
Additions	290	19	309
Loss on write-off of vehicle	(26)	–	(26)
Balance as at December 31, 2012	1,018	152	1,170
Additions	59	48	107
Write-down of equipment	(89)	–	(89)
Sale of equipment	(4)	–	(4)
Balance as at December 31, 2013	984	200	1,184
Accumulated depreciation			
Balance as at December 31, 2011	31	8	39
Depreciation	93	35	128
Balance as at December 31, 2012	124	43	167
Depreciation	253	97	350
Sale of equipment	(2)	–	(2)
Balance as at December 31, 2013	375	140	515
Carrying amounts			
Balance as at December 31, 2011	202	64	266
Balance as at December 31, 2012	894	109	1,003
Balance as at December 31, 2013	609	60	669

During the year ended December 31, 2013, $337,000 (2012 – $117,000) of depreciation was included in project administration and $13,000 (2012 – $11,000) of depreciation was included in office and general.

On January 12, 2014, the Company completed the sale of field equipment with a carrying value of $247,000 as at December 31, 2013 for $250,000.

7 Investment in Southern Legacy Minerals Inc. ("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 December 31, 2013, the aggregate fair market value of this investment was $904,000 ($2,510,000 – December 31, 2012), 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 impairment losses of $1,657,000 ($1,476,000 – 2012) during the year. Southern Legacy's common shares also trade on the BVL.

8 Mineral properties

The Company's mineral properties comprise the Crucero Gold Project, located in southeast Peru, the Invicta Gold Project located in northwest Peru, and an option to earn an ownership position of up to 65% of the Josnitoro Gold Project located in southern Peru.

Crucero Gold Project ("Crucero")

The Crucero concessions comprise six 100%-owned mining concessions (which are not subject to any royalty interest) and three mining concessions held under a 30-year assignment which expires in September 2038 (which are subject to a maximum of a 5% net smelter return royalty on all gold and other minerals produced from the assigned concessions, dependent on the price of gold). These nine concessions are owned by LGP and make up the Crucero Gold Project.

To acquire its initial 60% ownership of LGP, the Company entered into a mineral property identification and acquisition agreement with K-Rok, which acted as an agent for the Company. Additionally, on July 26, 2010 the Company entered into an Assignment and Assumption Agreement with K-Rok, as assignee of K-Rok's interests in the Minera Pacacorral Purchase Agreement (the "LGP Purchase Agreement"), pursuant to which the Company assumed the rights and obligations of K-Rok.

Under the LGP Purchase Agreement, the vendors of LGP sold to the Company 60% of the issued and outstanding shares of LGP in July 2010, in consideration for the payment of a total of US $10,000,000. Of the total consideration, US $7,000,000 was paid prior to December 31, 2011, with the remaining US $3,000,000 payable on July 15, 2012.

The consideration payable to K-Rok pursuant to the Assignment and Assumption Agreement for the Crucero Gold Project consisted of the following:

(a) Issue 4,000,000 common shares of the Company to K-Rok (which have been issued and recorded at a fair value of $200,000).

(b) Issue two additional common shares of the Company (the "K-Rok Contingent Shares") for each ounce by which the gold resource for the six mining concessions that form part of Crucero are increased over the baseline resource of 808,695 ounces by an updated resource estimate based on all exploration completed on the six mining concessions to December 31, 2012. In March 2013, 3,221,127 K-Rok Contingent Shares were issued to K-Rok, and in December 2013, 477,786 of these shares were returned to the Company's treasury as a result of a revision of the related resource estimate.

On the date of the Assignment and Assumption Agreement with K-Rok, management calculated the fair value of the obligation to issue the K-Rok Contingent Shares using a weighted average probability analysis of the reported ounces in future updated resource estimates in accordance with IFRS 2 Share-Based Payments. The analysis included assumptions based on management's estimate at the time of acquisition of a) probable ounces at the time of the issue of the additional shares, b) the probable time of issuance of the additional shares, and c) the estimate of the Company's estimated share price at the time of issuance of the additional shares. A fair value of $598,000 was included as a cost of the initial acquisition of the Crucero mineral properties. The K-Rok Contingent shares were issued in 2013 and the initial fair value transferred from share-based contingent consideration to share capital.

As part of the closing of the Company's acquisition of the remaining 40% interest in LGP (see Note 4), the Company made an early payment of the final $3,057,000 (US $3,000,000) that was otherwise required to be paid by July 15, 2012 in order to complete the Company's acquisition of its existing 60% interest in LGP. The carrying value of this final payment was $2,819,000 on December 31, 2011, as the original carrying value of this purchase obligation was calculated by using a discounted cash flow model, which uses assumptions concerning the timing of estimated future cash flows and credit-adjusted discount rates.

The carrying value of Crucero as at December 31, 2013 is $16,673,000 ($17,114,000 – December 31, 2012). The change in carrying value of $441,000 for the year ended December 31, 2013 is due to changes in foreign currency translation rates between the Canadian Dollar and Peruvian Nuevo Sol which occurred from December 31, 2012 to December 31, 2013.

Invicta Gold Project ("Invicta")

In connection with the Company's acquisition of AAG (Note 4), the Company acquired Invicta, located in the Lima Region of central Peru, which comprise forty-six concession and petition claims that are owned by IMC and which make up Invicta.

Invicta was originally acquired by AAG by way of an October 2005 option agreement with Minera Barrick Misquichilca ("Barrick"), a wholly-owned subsidiary of Barrick Gold Corporation ("ABX"), that was exercised in 2007. The option agreement requires the Company to pay Barrick US$200,000 for the mining rights, plus a 1% Net Smelter Royalty ("NSR") capped at US$800,000. The agreement also calls for advance annual royalty payments of US$100,000, commencing on the date of exercising the option and every anniversary (in May) thereafter. To December 31, 2013, US$700,000 has been paid for the mining rights and advance royalties. In addition to the advance royalty payments, and only on the commencement of production, the Company will be required to pay Barrick on a quarterly basis an amount of US$50,000, which is capped at a total of US$800,000.

Pursuant to the terms of a separate option agreement reached with ABX, the Company is required to provide ABX with a copy of any completed Invicta Feasibility Study. Barrick has a 90-day period to review the study. If such a study demonstrates more than two million ounces of mineable gold-only reserves at Invicta, ABX has the option to exercise a back-in-right. Should ABX choose to exercise this back-in-right, they would be required to pay the Company 150% of all costs incurred at Invicta in exchange for 51% of the project. The most recent Invicta Feasibility Study was provided to ABX in early 2012 and does not demonstrate, under the Canadian Institute of Mining Metallurgy definition, two million ounces of mineable gold-only reserves at Invicta. In addition, Barrick has a 30 day calendar day right of first refusal ("ROFR") in the event that the Company wishes to transfer part or all of its shares and mining rights of the properties acquired pursuant to the Barrick option agreement. No ROFR was applicable to the Company's acquisition of AAG.

The carrying value of the Invicta mineral property as at December 31, 2013 is $10,581,000 ($10,853,000 – December 31, 2012). The change in carrying value of $272,000 for the year ended December 31, 2013 is due to changes in foreign currency translation rates that occurred between the Canadian Dollar and Peruvian Nuevo Sol from December 31, 2012 to December 31, 2013.

Josnitoro Gold Project ("Josnitoro")

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) with regards to the execution of a definitive agreement that will allow the Company to earn-in to a 65% interest on

Josnitoro in Southern Peru. Josnitoro is an exploration stage gold and copper project in the Department of Apurimac which comprises nineteen concessions.

Pursuant to the MOU, the Company will be the project operator and must pay 100% of the cost of the required earn-in activities. 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.

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 $2.0 million payment. If Hochschild elects to claw-back, they must notify the Company within 90 days of delivery of the PEA.

If Hochschild does not exercise its claw-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 $10.5 million in cash.

Management projects that the costs of meeting the earn-in requirements will be approximately $300,000 per year for the first two years, $3.0 million for drilling 10,000 meters and $0.3 million to prepare a PEA.

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

9 Related party transactions

Details of transactions between the Company and other related parties are disclosed below:

(a) Related party expenditures

The Company incurred the following expenditures in the normal course of operations in connection with private companies controlled by shareholders (including their immediate family) of K-Rok as below:

Nature of Transaction *In thousands of dollars*	Related Party	2013 $	2012 $
Shareholder and investor relations	S	140	120
Technical reports	S	4	9
		144	129

(b) Key management compensation

Key management includes directors and executive officers of the Company. The compensation paid or payable to key management for employee services is shown below:

In thousands of dollars	2013 $	2012 $
Salaries and benefits	929	841
Share-based compensation	321	439
Total key management compensation	1,250	1,280

(expressed in Canadian Dollars)

(c) Due to related parties

Amounts due to related parties are unsecured and non-interest bearing and measured at the amount of consideration established and agreed to by the related parties.

As at December 31, 2013, there was no amount payable to or receivable from related parties.

10 Equity

a) Common shares

Authorized: unlimited with no par value.

In connection with the acquisition of 100% of AAG's outstanding shares on October 1, 2012, the Company issued 36,989,318 common shares of Lupaka Gold (valued at $0.70 per share, which represents the market price of the common shares on the date of issuance) to the former shareholders of AAG – see Note 4.

In connection with the acquisition of the remaining shares of LGP on January 19, 2012, the Company issued 5,200,000 common shares of Lupaka Gold (valued at $1.00 per share) to the former non-controlling shareholders of LGP – see Note 4.

b) Share purchase warrants

	Weighted average exercise price $	Number of share purchase warrants
Balance – beginning of year	2.22	8,079,167
Expired	2.25	(800,000)
Balance – end of year	2.22	7,279,167

The following table summarizes information about the share purchase warrants outstanding and exercisable at December 31, 2013:

Expiry date	Number of share purchase warrants	Exercise prices $
June 28, 2014	6,666,667	2.25
February 12, 2015	612,500	1.87
	7,279,167	2.22

c) Share options

The Company has in place an incentive share option plan dated September 20, 2010 (the "Option Plan") for directors, officers, employees and consultants to the Company. The Option Plan provides that the directors of the Company may grant options to purchase common shares on terms that the directors may determine, within the limitations of the Option Plan, including:

- The maximum number of common shares issuable pursuant to options granted under the Option Plan shall not exceed 10% of the outstanding common shares issued at the date of grant and

(expressed in Canadian Dollars)

- The terms of options are a minimum of one year and a maximum of ten years from the date the option is granted, with the most common option terms being two and five years.

Vesting terms are determined for each grant by the Company's Board of Directors. The options granted in the year ended December 31, 2013 vest in equal amounts beginning as early as on the date of grant and ending up to eighteen months from the date of grant.

A summary of changes to share options outstanding and exercisable is as follows:

	2013		2012	
	Number of share options	Weighted average exercise price $	Number of share options	Weighted average exercise price $
Options outstanding – beginning of year	6,348,475	0.86	3,697,000	0.73
Granted	3,675,000	0.34	1,980,000	0.53
Forfeited	(1,144,350)	0.94	(173,000)	1.33
Cancelled	(434,875)	1.93	–	–
AAG options forfeited	–	–	(525,525)	2.16
Exercised	–	–	(100,000)	0.50
Acquired on acquisition of AAG (Note 4)	–	–	1,678,250	2.22
AAG options expired	(4,900)	1.63	(208,250)	2.90
Options outstanding – end of year	8,439,350	0.57	6,348,475	0.86
Options exercisable – end of year	5,855,600	0.67	4,708,475	0.96

No options were exercised in 2013. The weighted average price of Lupaka's shares on the dates of exercise in 2012 was $1.11.

The weighted average fair value of the share options granted in the year was estimated to be $0.14 (2012 – $0. 39) per option at the grant dates using the Black-Scholes option-pricing model and based on the following weighted average assumptions:

	2013	2012
Weighted average market price ($)	0.26	0.53
Weighted average exercise price ($)	0.34	0.53
Dividend yield	–	–
Risk free interest rate (%)	1.22	1.22
Expected life (years)	2.9	3.9
Expected volatility (%)	94	109
Pre-vest forfeiture rate (%)	5.0	5.0

Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The volatility was calculated using historical volatility of comparable companies as an expectation of the Company's future volatility. Non-cash share-based compensation costs of $618,000 have been recorded for the year ended December 31, 2013 (December 31, 2012 – $854,000), allocated as follows:

In thousands of dollars	2013 $	2012 $
Salaries and benefits	330	439
Shareholder and investor relations	155	121
Project administration	111	217
Camp and related	13	61
Consulting and other	9	16
Total share-based compensation	618	854

The following table summarizes information about share options outstanding and exercisable at December 31, 2013:

		Outstanding			Exercisable		
Year of Expiry	Range of exercise prices $	Number of options outstanding	Weighted average exercise price $	Weighted average remaining contractual life (years)	Number of options exercisable	Weighted average exercise price $	Weighted average remaining contractual life (years)
2015	0.30 – 0.40	750,000	0.33	1.5	437,500	0.34	1.4
2015	0.50 – 0.75	2,500,000	0.54	1.7	2,250,000	0.52	1.8
2015	1.71 – 4.08	68,600	1.96	1.4	68,600	1.96	1.4
2016	0.50 – 1.21	1,188,000	1.11	2.7	1,188,000	1.11	2.7
2016	2.00 – 3.22	232,750	2.32	2.6	232,750	2.32	2.6
2017	0.45	1,275,000	0.45	3.9	968,750	0.45	3.9
2018	0.20 – 0.43	2,425,000	0.27	4.7	710,000	0.28	4.6
	0.20 – 4.08	8,439,350	0.57	3.0	5,855,600	0.67	2.7

11 Income tax expense

The significant components of the Company's deferred income tax assets and liabilities at December 31, 2013 and 2012 are as follows:

In thousands of dollars	2013 $	2012 $
Deferred income tax assets:		
Non-capital loss carry-forwards, net	2,670	4,272
Property and equipment	7,347	6,007
Share issuance costs	304	441
Reclamation obligation	125	186
Southern Legacy investment	407	184
Other	41	38
Deferred income tax assets, net	10,894	11,128
Unrecognized tax assets	(10,894)	(11,128)
	–	–

a) The tax expense differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

In thousands of dollars, except statutory rate	2013 $	2012 $
Loss for the year before income tax expense (recovery)	(9,782)	(9,596)
Average statutory rate	25.75%	25.00%
Expected income tax recovery at statutory rates	(2,518)	(2,399)
Non-deductible expenses	66	569
Effect of different tax rates in foreign jurisdictions	(547)	(230)
Difference in prior year tax returns	2,625	(269)
Expiration of tax losses	325	96
Difference in future and current tax rates	136	185
Impact of difference in functional and tax currencies	209	(390)
Amounts charged to equity	(62)	86
Unrecognized tax assets	(234)	2,352
Income tax expense	–	–

The Canadian statutory tax rate increased from 25.00% to 25.75% due to legislated changes.

b) Losses carried forward

The Company has non-capital losses in Canada and Peru, for which deduction against future taxable income is uncertain, of approximately $7.5 million (2012 - $16.5 million) and $3.3 million (2012 - $0.5 million), respectively. The Canadian losses, if not utilized, will expire over 2026 through 2033, while the Peruvian losses, if not utilized, will expire over 2014 through 2017. Deferred income tax benefits which may arise as a result of the non-capital losses in the respective Peruvian entities have not been recognized as commercial production has not commenced.

12 Segmented information

The Company operates in one segment, being mineral exploration and development. Losses for the year and total assets by geographic location are as follows:

	2013	2012
In thousands of dollars	$	$
Loss		
Canada	4,455	4,122
Peru	5,327	5,474
	9,782	9,596

	December 31, 2013	December 31, 2012
In thousands of dollars	$	$
Total assets		
Canada	4,882	13,414
Peru	28,224	29,366
	33,106	42,780

13 Capital management

The Company's objective when managing capital structure is to maintain liquidity in order to ensure the Company's strategic acquisition, exploration and business development objectives are met.

In the management of capital, the Company defines capital that it manages as the aggregate of its equity (2013 – $31,329,000; 2012 – $41,217,000).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company intends to continue to assess new resource properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company's annual and updated budgets are approved by the Board of Directors.

The Company expects that its current capital resources will be sufficient to carry out its planned exploration and development plans and operations through its current operating period, subject to obtaining additional financing (see Note 1). The Company is currently not subject to externally imposed capital requirements.

14 Financial risk factors

(a) Financial risk exposure and risk management

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

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.

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. At December 31, 2013 and 2012, the Company's contractual obligations (undiscounted) were as follows:

In thousands of dollars	December 31, 2013 $	December 31, 2012 $
Trade and other payables	1,406	1,019
Provision for reclamation	371	544
Total	1,777	1,563

Market risk

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

Foreign exchange risk

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

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

In thousands of US dollars	December 31, 2013 $	December 31, 2012 $
Cash and cash equivalents	1,290	1,359
Current liabilities	(434)	(166)

Based on the above net exposure as at December 31, 2013, and assuming that all other variables remain constant, a 10% appreciation (depreciation) of the Canadian Dollar against the US Dollar would result in an increase or decrease of approximately +/- $91,000 (2012 – $119,000) in the Company's net loss or income.

Price risk

The Company has exposure to fluctuations in the market prices of its financial instruments, specifically the investment in Southern Legacy. Historical movements and volatilities in market variables may significantly increase or decrease the value of the Company's investment in Southern Legacy. Based on the Company's carrying value of its investment in Southern Legacy as at December 31, 2013, a 10% fluctuation in its market value would result in an increase or decrease of approximately $90,000 in the Company's comprehensive loss.

Interest rate risk

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

Commodity price risk

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold has fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for gold. A decline in the market price of gold may also require the Company to reduce its mining interests, which could have a material and adverse effect on the Company's value. As of December 31, 2013, the Company was not a gold producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

(b) Fair value of financial instruments

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

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

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

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate carrying value because of their short term nature. The Company's investment in Southern Legacy is classified as Level 1 of the fair value hierarchy.

15 Supplemental cash flow information

Cash and cash equivalents comprise the following:

In thousands of dollars	December 31, 2013 $	December 31, 2012 $
Cash on hand and balances with banks	305	3,220
Cash equivalents	3,601	7,496
	3,906	10,716

At December 31, 2013, the Company's short-term investments are invested in premium investment savings accounts and guaranteed investment certificates of Canadian chartered banks, and are cashable at any time.

In 2012, the Company issued 5,200,000 common shares at a total fair value of $5,200,000 to acquire the remaining 40% interest in LGP (Note 4) and 36,989,318 common shares at a total fair value of $25,892,523 to acquire AAG (Note 4).

In 2013, the Company issued a net total of 2,743,341 common shares at a total fair value of $598,000 to K-Rok (Note 8).

16 Commitments and contingencies

SUNAT, the Peruvian tax authority, completed its audit of the tax filings of a former AAG Peruvian subsidiary for the years 2002 to 2004. SUNAT has challenged the deductibility of certain property write-offs and foreign exchange losses in those filings that may result in additional tax assessments and the imposition of fines and interest amounting in total to approximately US$5,000,000. The Company is of the opinion that these deductions are legitimate and can be successfully defended in the appeals processes that are available under Peruvian law, which may take as long as five years to reach a conclusion. As at December 31, 2013, no loss provision has been made in these consolidated financial statements.

# # #

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the audited consolidated financial statements of Lupaka Gold Corp. ("Lupaka Gold") and the notes thereto for the years ended December 31, 2013 and 2012 (collectively referred to hereafter as the "Audited 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 years ended December 31, 2013 and 2012, and the Company's financial condition as at December 31, 2013, compared with the preceding year-end, December 31, 2012.

The effective date of this MD&A is March 26, 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 Audited Financial Statements and the 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 Audited Financial Statements and the MD&A were approved by the Board of Directors on March 26, 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, MAIG, 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. Lupaka Gold’s share purchase warrants trade on the TSX under the symbol LPK.WT.

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

- On March 17, 2014, the Company announced that it was commencing the permitting process to put the Invicta Gold Project in production on a small-scale basis of approximately 300 tonnes/day (see “***Mineral Projects***” 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-in to a 65% interest in the Josnitoro Gold Project in Southern Peru (see “***Mineral Projects***” 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***” 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***” 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;

- 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***" below for additional details);

- In June 2013, the Company received a structural geological context and interpretation report developed from field work and aerial photo interpretation conducted by SRK Consulting (Toronto, Canada). This report (the "SRK Structural Context Report") was commissioned in order to gain a better understanding of the structural geology and mineralization controls at the Company's Crucero Gold Project; and

- At the Company's May 16, 2013 AGM, three new directors were elected to Lupaka Gold's Board of Directors: Hernan F. Barreto; Jaime A. Pinto; and Luquman A. Shaheen. Mr. Barreto and Mr. Pinto are Peru residents active in the Peru mining industry, while Mr. Shaheen is the President and CEO of Panoro Minerals Ltd., an active copper and copper-gold exploration company which operates in Peru;

Outlook

The Company's primary priorities for 2014 are to: implement its small-scale production option for the Invicta Gold Project; continue mineral exploration and development activities on the Crucero Gold Project and Josnitoro Gold Project; and to maximize the potential return on its investment in Southern Legacy Minerals Inc. ("Southern Legacy").

Management also believes that cash and cash equivalents on hand as at the MD&A Date will be sufficient to fund the Company's planned head office and Peru exploration activities for the balance of 2014, by delaying drilling activity and reducing or eliminating discretionary expenses related to administration and exploration.

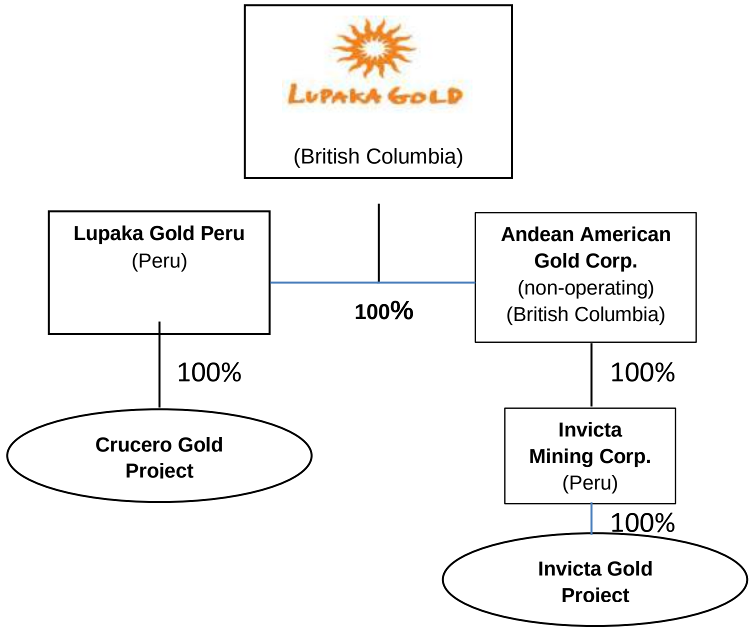
Corporate Structure

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 March 26, 2014, Lupaka Gold had a market capitalization of approximately $17 million.

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 consulting services.

As of December 31, 2013, the number of employees of the Company was as follows:

Lupaka	December 31, 2012	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Vancouver, Canada	8	8	7	7	6
Peru - LGP					
Administration	8	9	7	9	8
Exploration & Technical	43	48	33	22	24
Peru - Invicta					
Exploration & Technical	19	14	7	7	6
Total	78	79	54	45	44

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, which is highly dependent upon seasonal weather conditions at the project site. Further, when drilling occurs, additional employees are required for drilling support services. With the 2012 Q4/2013 integration of the Invicta Gold Project into the Company's overall operations, the number of IMC administrative and technical staff has decreased.

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 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.

Beginning in July 2010, the Company acquired 60% of the shares of LGP, a Peruvian company that holds the following interests in the nine claims that comprise the Crucero Gold Project: a 100% interest in six mining concessions, and a 30 year assignment (commencing September 2008) of a 100% interest in three additional mining concessions, subject to private royalty obligations. In January 2012, the Company made its final payment obligation related to its initial 60% ownership of LGP and acquired the remaining 40% minority interest in LGP, with the result that LGP became a 100%-owned subsidiary of Lupaka Gold.

Please see the Company's AIF for the history of the Company, including: 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, and the October 2012 acquisition of Andean American (which included ownership of the Invicta Gold Project and a 17% interest in Southern Legacy).

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 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. (see 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. The stated 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	Au	Ag	Cu	Pb	Zn
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.

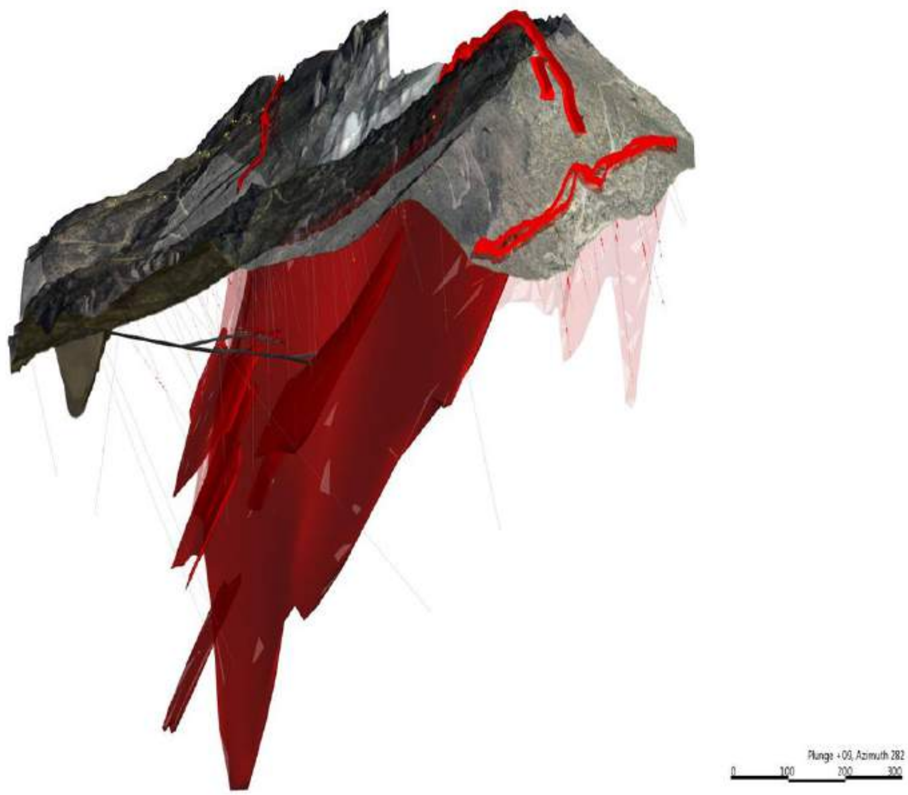
Development Going Forward

Management believes that an Invicta mining operation working at a capacity of approximately 300 tonnes/day can be permitted and operational by the first quarter of 2015 under the small miner exemption permitting requirement available in Peru. Management further believes that a small-scale Invicta operation could be feasibly achieved by implementing a full contractor-based model (re: mining, haulage and toll processing), thereby eliminating capital and finance risk to the operation and the Company. This planned mining operation would also utilize the underground works previously built by Barrick and

Andean American, which directly access the high-grade Au resource rock contained in the Measured resource which is primarily contained in the Atenea Vein (Figure 1 below).

The Company is in discussions with a number of Peruvian mining contractors to better understand the issues of cost, timing, safety, environmental awareness, community impact, permitting and other factors, and expects to make a decision on pursuing an Invicta small miner permit and operation by the end of Q1-2014.

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



The Company spent much of 2013 in discussions with potential partners to move the Invicta Gold Project directly towards production. While those discussions identified several interested parties, the Company was not able to reach agreement on suitable terms.

Community Relations, Environmental and Social Responsibility- Invicta

Overall, the Invicta Gold Project is considered to be in the pre-mine construction stage.

The Company has:

- An Environmental Impact Assessment for the operation of a mine (issued December 2009) and a power line (December 2011);
- A Closure Plan for Andean American's previously proposed 5,100 t/d of mineralized material mine plan, which was approved by the Ministry of Energy and Mines in January 2012 and which is presently being amended; and

- A Certification of the Absence of Archaeological Ruins (CIRA) from the Ministry of Culture, covering the area of the Invicta resource.

Invicta continues 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. Four communities, being Lacsanga, Paran, Santo Domingo de Apache and Sayan, will primarily benefit from the investment made if a mining operation is developed and operated at the Invicta Gold Project.

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, and to improve local medical and school facilities. 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

A listing of the Company's Invicta Gold Project concessions is as follows:

	Concession Name	Area (Ha.s)	Identification Code	Status	Grant Date	Maximum Concession Expiry Date(1)(2)(3)(4)
1	INVICTA I	1,000	10312905	Concession	14-Oct-05	14-Oct-28
2	INVICTA II	1,000	10313005	Concession	10-Oct-05	10-Oct-28
3	INVICTA III	1,000	10313105	Concession	14-Oct-05	14-Oct-28
4	INVICTA IV	1,000	10313205	Concession	14-Oct-05	14-Oct-28
5	INVICTA V	900	10313305	Concession	10-Oct-05	10-Oct-28
6	INVICTA VI	600	10306609	Concession	8-Jan-10	8-Jan-30
7	INVICTA VII	300	10313705	Concession	17-Oct-05	17-Oct-28
8	INVICTA VIII	800	10336305	Concession	15-Oct-05	15-Oct-28

9	INVICTA IX	800	10336405	Concession	16-Nov-05	16-Nov-28
10	INVICTA X	900	10336505	Concession	3-Nov-05	3-Nov-28
11	INVICTA XI	1,000	10336605	Concession	16-Nov-05	16-Nov-28
12	INVICTA XII	600	10336705	Concession	16-Nov-05	16-Nov-28
13	INVICTA XV	1,000	10169606	Concession	27-Apr-06	27-Apr-28
14	INVICTA XVI	300	10169706	Concession	2-May-06	2-May-28
15	INVICTA XVII	1,000	10596907	Concession	10-Dec-07	10-Dec-28
16	INVICTA XVIII	1,000	10597007	Concession	12-May-08	12-May-28
17	INVICTA XIX	1,000	10598907	Concession	18-Feb-08	18-Feb-28
18	INVICTA XX	1,000	10599007	Concession	11-Dec-07	11-Dec-28
19	INVICTA XXI	500	10601907	Concession	10-Dec-07	10-Dec-28
20	INVICA XXII	800	10602007	Concession	11-Dec-07	11-Dec-28
21	INVICTA XXIII	1,000	10622307	Concession	30-Sep-10	30-Sep-30
22	INVICTA XXV	1,000	10622507	Concession	30-Sep-10	30-Sep-30
23	INVICTA XXVI	900	10103709	Concession	20-May-09	20-May-29
24	INVICTA XXX	800	10103809	Concession	20-May-09	20-May-29
25	INVICTA XXXI	500	10103909	Concession	29-Apr-09	29-Apr-29
26	INVICTA XXXII	1000	10104009	Concession	19-May-09	19-May-29
27	INVICTA XXXIII	1000	10104109	Concession	29-Apr-09	29-Apr-29
28	INVICTA XXXIV	800	10104209	Concession	29-Apr-09	29-Apr-29
29	INVICTA XXXV	1,000	10104309	Concession	22-Jan-10	22-Jan-30
30	INVICTA XXXVI	617	10209010	Concession	26-Jul-10	26-Jul-30
31	INVICTA XXXVII	800	10208910	Concession	20-Jul-10	20-Jul-30
32	INVICTA XXXVIII	1000	10476110	Concession	7-Jan-11	7-Jan-31
33	INVICTA XXXIX	900	10476210	Concession	10-Dec-10	10-Dec-30
34	INVICTA XL	1000	10573411	Concession	10-Dec-10	10-Dec-30
35	INVICTA XLII	800	10573511	Concession	10-Dec-10	10-Dec-30
36	INVICTA XLIII	600	10573611	Concession	10-Dec-10	10-Dec-30
37	INVICTA XLV	800	10573811	Concession	10-Dec-10	10-Dec-30
38	INVICTA XLVI	1000	10281912	Concession	10-Dec-10	10-Dec-30
39	INVICTA XLVII	1000	10282012	Concession	10-Dec-10	10-Dec-30
40	INVICTA XLVIII	500	10282012	Petition	16-Jul-12	16-Jul-32
41	INVICTA XLIX	300	10281812	Concession	10-Dec-10	10-Dec-30
42	VICTORIA UNO[(5)]	1,000	10334195	Concession	23-May-96	23-May-28
43	VICTORIA DOS[(5)]	400	10336295	Concession	21-Jun-96	21-Jun-28
44	VICTORIA TRES[(5)]	900	10335795	Concession	14-Jun-96	14-Jun-28
45	VICTORIA CUATRO[(5)]	400	10197196	Concession	20-Sep-96	20-Sep-28
46	VICTORIA SIETE[(5)]	1,000	10231196	Concession	11-Oct-96	11-Oct-28

Notes:

(1) Assumes the concession-holder complies with regulatory and statutory requirements, and provides sufficient justifications (which are accepted) to maximize the deadline date if required.

(2) Effective October 11, 2008, amendments were made to the determination of the maximum deadline, whereby the initial ten year period begins from the year following the issuance of mining concession title.

(3) For concessions where the mining concession title grant date was prior to October 11, 2008, the year 2018 was declared as the universal end of the ten year period for production to begin.

(4) If production is not attained by the tenth year, annual penalties are assessed and payable until the year when the minimum level of production is attained. Should production not be attained by the fifteenth year, the concession-holder can apply for a further extension of up to an additional five years which may or may not be granted, depending upon the justification(s) given for the extension.

(5) Contain the current Invicta Gold Project resource; these concessions are also subject to the Barrick Royalty Agreement.

The Company is, to its knowledge, in full compliance with all of its Invicta concession-holder requirements, and confirm that the above-referenced concessions are in good standing, except that as at December 31, 2013 only the annual concession fees for the Victoria concessions (within which the Invicta resource is located) have been paid and these are the only Invicta concessions for which the Company has a carrying value. The Company has not yet renewed certain other non-core concessions. The unpaid concession fees total US$165,000 and must be paid by September 30, 2014 in order for the Company to avoid penalty charges and /or losing the related concessions.

Following is a continuity listing of the Company's exploration expenditures for Invicta to December 31, 2013:

	Year ended December 31, 2013 ($000's)	**Total from acquisition to December 31, 2013** ($000's)
Project administration	1,156	1,375
Camp, community relations and related costs	566	783
Technical reports and assays	35	36
Transportation, reclamation and professional fees	29	146
	1,786	2,340

The carrying value of the Invicta mineral property as at December 31, 2013 is $10,581,000 ($10,853,000 – December 31, 2012). The change in carrying value of $272,000 for the year ended December 31, 2013 is due to changes in foreign currency translation rates that occurred between the Canadian Dollar and Peruvian Nuevo Sol from December 31, 2012 to December 31, 2013.

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 mineral 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 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 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 "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 Technical Report can be found at www.sedar.com.

The Technical Report states an indicated resource 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 resource 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 this resource estimate, for the purposes of NI 43-101 and is not responsible for the conceptual pit.

The following table summarizes the Company's Crucero Gold Project resources, estimated at a 0.4 g/t cut-off threshold:

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:

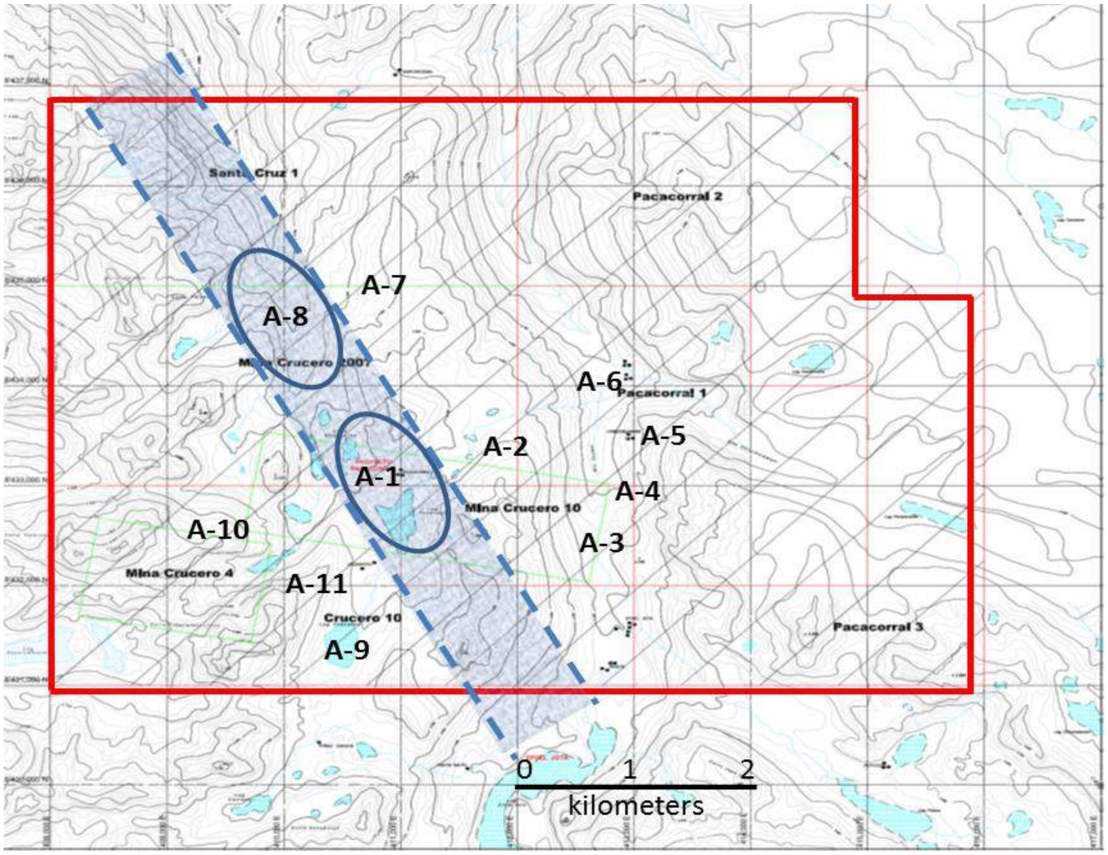
Parameter	**Value**	**Unit**
Gold Price	1,400.00	US$/oz
Mining Operating Cost (Mineralized Material and Waste)	1.50	US$/t milled
Process Operating Cost	13.00	US$/t milled
General & Administrative	2.00	US$/t milled
Overall Pit Slope	47	Degrees
Gold Process Recovery	90	%
Mining Dilution	5	%

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 zone at Crucero.

2014 exploration work at Crucero will focus efforts on the A-1 structural corridor, extending from north of the A-8 anomaly to south of the A-1 resource zone (as set out in Figure 2 below). Field work should commence in Q2 2014 as weather permits. Drilling could commence by Q2 2014 depending on exploration success and the team's ability to identify high-confidence drill targets, as well as the Company's available financial resources.

Figure 2: Crucero Project area showing the A-1 Structural Corridor



Exploration to date

<u>2010 Drill Program</u>

During the early part of 2010, LGP drilled six holes, totalling 1,255 metres. The drilling of these holes was financed and supervised by the Company as part of its due diligence assessment of the Crucero Gold Project. Commencing in late 2010 and extending into early 2011, the Company drilled 12 additional core holes in the A-1 Zone, totalling 3,230 metres, to assess portions of the zone not tested by previous drilling and to acquire sufficient assay data to permit the upgrading of a portion of the previously-classified inferred resource to the indicated category (See www.sedar.com "Amended 2011 Technical Report"). In 2010, the Company spent approximately $1 million on exploration and related technical and community relations costs for the Crucero Gold Project.

<u>2011 Drill Program</u>

The Company completed a total of 23 core drill holes for over 7,300 metres from May through December of 2011. The 2011 drill program was mainly focused on resource expansion at the A-1 Zone. Final assay results showed that the Company had not yet defined the northern limit of the A-1 Zone, and that the A-1 Zone mineralized envelope remained open and continued to the north. In 2011, the Company spent approximately $3 million on exploration and related technical and community relations costs for the Crucero Gold Project.

2012 Drill and Technical Programs

The Company stopped drilling for the 2012 season as planned in December 2012, completing a total of 20 core drill holes for over 8,200 metres from May through December of 2012. The 2012 drill program was mainly focused on resource expansion at the A-1 Zone. Final assay results showed that the Company had not yet defined the northern limit of the A-1 Zone, and that the A-1 Zone mineralized envelope remained open and continued to the north.

Various geological programs also took place in 2012, covering mapping, soil sampling, geophysics and structural geology, towards improving the Company's knowledge of the Crucero Gold Project's geological structures. In 2012, the Company spent approximately $5.5 million on exploration and related technical and community relations costs for the Crucero Gold Project.

Please also see the Company's AIF, re:"*Crucero Gold Project"* for an outline of the A-1 Zone mineralized envelope projected to surface and with the locations of holes drilled to date, and a schematic of the relative locations of the eleven anomalous zones identified (to date) as being of significant interest.

2013 Exploration and Technical Programs

Following on from the 2012 drill program results and using the SRK Report, 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 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 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 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.

The Company has a community relations office in the town of Crucero, which is located approximately 45 kilometres from the Crucero Gold Project. This office complements the Company's camp community relations office, from which various community relations, education, local infrastructure improvement project, and medical/dental/veterinarian programs that are developed, provided and paid for by the Company.

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

A listing of the Company's Crucero Gold Project concessions is as follows:

Concession Name	Identification Code	Area (Ha's)	Petition Filing Date	Concession Grant Date	Legal Status	Maximum Deadline(1)(2)(3)(4)
Mina Crucero 4	010170899	150	18-Oct-99	21-Feb-00	Concession	Year 2028
Mina Crucero 10	010065903	300	3-March-03	25-Sep-03	Concession	Year 2028
Crucero 1	010317507	650	31-May-07	10-Oct-07	Concession	Year 2028
Mina Crucero 2007	010317807	781	1-September-07	12-May-08	Concession	Year 2028
Santa Cruz 1	050024208	800	4-July-08	16-Aug-10	Concession	Year 2030
Pacacorral 1	710009309	700	7-Dec-09	3-Nov-10	Concession	Year 2030
Pacacorral 2	710013810	700	21-Sep-10	21-Jun-13	Concession	Year 2033
Pacacorral 3	710013710	600	21-Sep-10	21-Jun-13	Concession	Year 2033
Pacacorral 4	010367211	900	20-Jun-11	19-Sept-12	Concession	Year 2032

Notes:

(1) Assumes the concession-holder complies with regulatory and statutory requirements, and provides sufficient justifications (which are accepted) to maximize the deadline date if required.

(2) Effective October 11, 2008, amendments were made to the determination of the maximum deadline, whereby the initial ten year period begins from the year following the issuance of mining concession title.

(3) For concessions where the mining concession title grant date was prior to October 11, 2008, the year 2018 was declared as the universal end of the ten year period for production to begin.

(4) If production is not attained by the tenth year, annual penalties are assessed and payable until the year when the minimum level of production is attained. Should production not be attained by the fifteenth year, the concession-holder can apply for a further extension of up to an additional five years which may or may not be granted, depending upon the justification(s) given for the extension.

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 for the Crucero Project to December 31, 2013:

	Year ended December 31, 2013 ($000's)	**Total from inception to December 31, 2013** ($000's)
Camp, community relations and related costs	1,567	3,971
Project administration	1,617	3,626
Technical reports, assays and related costs	285	1,223
Drilling	-	2,595
Transportation, reclamation and professional fees	71	1,013
	3,540	12,428

The carrying value of Crucero as at December 31, 2013 is $16,673,000 ($17,114,000 – December 31, 2012). The change in carrying value of $441,000 for the year ended December 31, 2013 is due to changes in foreign currency translation rates between the Canadian Dollar and Peruvian Nuevo Sol which occurred from December 31, 2012 to December 31, 2013.

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 that will allow the Company to earn-in to a 65% interest in Josnitoro in Southern Peru. 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 mining concession area. Two communities located approximately 50 km from the Josnitoro concessions, 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 MOU, the Company will be the project operator and must pay 100% of the cost of the required earn-in activities to earn its 65% interest. 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 $2.0 million 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 $10.5 million in cash.

Management projects that the costs of meeting the earn-in requirements will be approximately $300,000 per year for the first two years, $3.0 million for drilling 10,000 meters and $0.3 million to prepare a PEA.

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

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 social license by mid-2014 and could commence exploration field work in late Q2 2014. Exploration field work will focus on mapping and sampling the gold zones to assess the mineral potential and plan for a drilling campaign.

Field work will also begin with an objective to identify a regional geology mineral emplacement model and test the large copper skarn porphyry theory.

Exploration to date

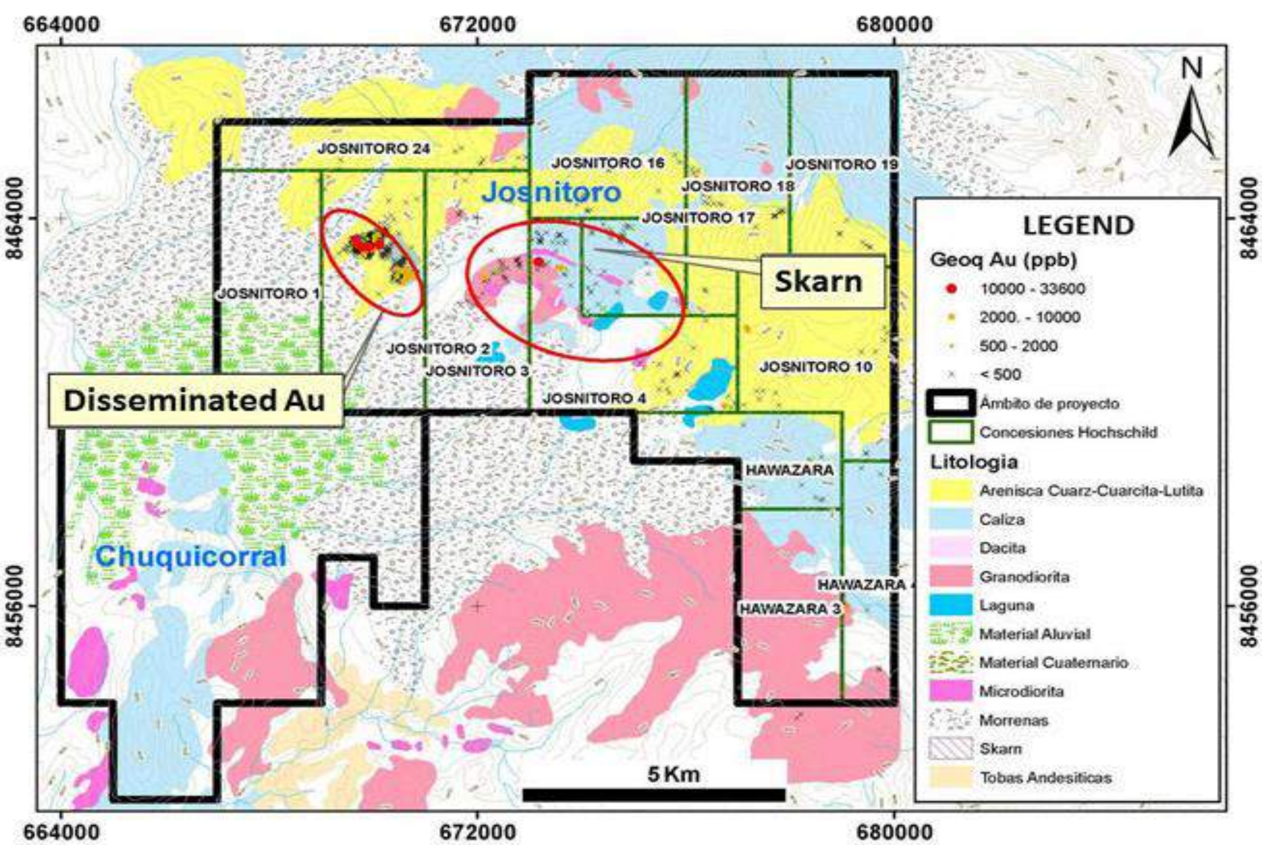
Historical work on the project has consisted of geologic mapping and rock chip and trench sampling. Past rock chip samples on the property have returned results of up to 7.74 g/t Au, and trench sampling has returned results of up to 33.6 g/t Au.

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



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 December 31, 2013, the aggregate fair market value of this investment was $904,000 ($2,510,000 – December 31, 2012), 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 impairment losses of $1,657,000 ($1,476,000 – 2012) during the year. Southern Legacy's common shares also trade on the BVL.

The Company continues to evaluate its strategic options regarding this portfolio investment.

Summary of Annual and Quarterly Information

Selected Annual Information

Financial Data for Last Three Fiscal Years			
In thousands of Canadian Dollars, except for per share amounts			
Fiscal year ended	2013	2012	2011
Exploration expenses	$5,326	$5,475	$2,953
General and administrative expenses	$2,968	$2,673	$2,156
Loss	$9,782	$9,596	$5,535
Basic and diluted loss per share	$0.12	$0.18	$0.14

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

	December 31, 2013	December 31, 2012	December 31, 2011
Total assets	$33,106,000	$42,780,000	$30,493,000

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 IFRS.

Financial Data for Last Eight Quarters (Unaudited)								
In thousands of Canadian Dollars, except for per share amounts								
Three-months ended	**Dec-13**	**Sep-13**	**Jun-13**	**Mar-13**	**Dec-12**	**Sep-12**	**Jun-12**	**Mar-12**
Total revenues	$0	$0	$0	$0	$0	$0	$0	$0
Exploration expenses	$1,184	$750	$1,734	$1,658	$2,193	$1,624	$989	$669
General and administrative expenses	$748	$577	$770	$873	$963	$388	$557	$764
Accretion expense	$0	$0	$0	$0	$0	$0	$0	$22
Interest (income)	$(8)	$(6)	$(19)	$(27)	$(34)	$(4)	$(8)	$(12)
Impairment loss on available-for-sale financial asset	$328	$0	$344	$985	$1,476	$0	$0	$0
Foreign exchange loss (gain)	$(79)	$35	$(56)	$(9)	$(20)	$7	$(2)	$23
Loss	$2,173	$1,356	$2,773	$3,480	$4,578	$2,015	$1,537	$1,466
Basic and diluted loss per share	$0.03	$0.02	$0.03	$0.04	$0.06	$0.05	$0.03	$0.03

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. The Company’s 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 three months and years ended December 31, 2013 and 2012 are summarized as follows:

	Three months ended December 31,		**Years ended December 31,**	
	2013 ($000's)	**2012 ($000's)**	**2013 ($000's)**	**2012 ($000's)**
Operating expenses				
Exploration	1,184	2,193	5,326	5,475
General and administration	748	964	2,968	2,673
Operating loss	1,932	3,156	8,294	8,148
Impairment loss on available-for-sale financial asset	328	1,476	1,657	1,476
Finance expense – accretion	–	–	–	22
Finance income – interest	(8)	(35)	(60)	(58)
Foreign exchange loss (gain)	(79)	(20)	(109)	8
Loss for the period	2,173	4,578	9,782	9,596
Loss per share - Basic and diluted	$0.03	$0.06	$0.12	$0.18

Overall, the loss for the year ended December 31, 2013 was slightly larger than for the comparative period in 2012, as a result of increased expenses in the areas of investor relations, impairment losses on the Company's investment in Southern Legacy, and inclusion of Invicta exploration expenses for a full year, offset by there being no corporate development and drilling expenses in 2013.

The loss for the three months ended December 31, 2013 was smaller than for the comparative period in 2012, primarily as a result of there being no drilling activity in 2013, a reduction in general and administration expenses (specifically in the investors relations area) and a lower impairment loss on the Company's investment in Southern Legacy.

Three months ended December 31, 2013

Compared to the three-month period ended December 31, 2012 notable expense variances were as follows:

Exploration expenses

All such expenses relate to the Peru operations of the Company and totalled $1,184,000 for 2013 as compared to $2,193,000 for 2012, a net decrease of $1,009,000 for the period which reflects the following:

Drilling expenses totalled $Nil for 2013 compared to $467,000 for 2012 for a net decrease of $467,000, as there was no drilling activity in 2013.

Technical reports, assays, transportation, reclamation, consulting and professional fees – these expenses totalled $87,000 for 2013 compared to $490,000 for 2012, with the decrease of $403,000 being attributable to reduced activity in these areas as an outcome of no drilling activity in 2013.

Camp, community relations and related costs – these expenses totalled $425,000 for 2013 compared to $713,000 for 2012, with the decrease of $289,000 being a result of :

Increased community relations contractor costs of $125,000 for 2013;

A reduction in Crucero personnel and related costs, resulting in savings totalling approximately $80,000;

Cost reductions of $341,000 for 2013 as there was no Crucero drilling activity to December 31, 2013; and

Individually-insignificant miscellaneous costs resulting in cost increases totalling approximately $7,000, net of $4,000 ($61,000 – 2012) of share-based compensation expense.

Project administration – these expenses totalled $672,000 for 2013 compared to $522,000 for 2012, with the increase of $150,000 being a result of:

Invicta-related expenses of $337,000 for 2013 ($219,000 – 2012), for a net increase of $118,000 due to the write-off of obsolete fixed assets ($90,000) and additional depreciation taken in 2013 ($114,000), offset by reduced administration expenses (totalling $86,000) ; and

LGP and Crucero-related expenses of $336,000 for 2013 ($304,000 – 2012), for a net increase of $32,000, largely attributable to an increase in share-based compensation expense of $36,000.

General and administration expenses

All such expenses relate to the Canadian operations of Lupaka Gold and totalled $748,000 for 2013 compared to $964,000 for 2012, with the decrease of $216,000 being a result of:

Salaries and benefits totalled $238,000 for 2013 compared to $381,000, a decrease of $143,000, with $88,000 of the decrease coming from a reduction in share-based compensation;

Professional and regulatory fees totalled $114,000 for 2013 compared to $236,000 for 2012, a decrease of $122,000, due to the 2012 costs associated with the acquisition of Andean American;

Office and general, and travel – these expenses totalled $62,000 for 2013 compared to $109,000 for 2012, for a net decrease of $47,000 due mainly to reduced corporate travel associated with analyst trips and less frequent travel to Lima in 2012;

Shareholder and investor relations – these expenses totalled $334,000 for 2013 compared to $136,000 for 2012, an increase of $198,000. This reflects the costs of ongoing investor relations programs focused on the establishment of a European investor presence in the Company's shareholder base and an increase of share-based compensation of $19,000; and

Corporate development – these expenses totalled $Nil for 2013 compared to $102,000 for 2012, a decrease of $102,000. The 2012 expenses were as a result of the Andean American due diligence costs. There were no such corporate due diligence costs for 2013.

Year ended December 31, 2013

Compared to the 2012 period, notable expense variances were as follows:

Exploration expenses

All such expenses relate to the Peru operations of the Company and totalled $5,326,000 for 2013 compared to $5,475,000 for 2012, a net decrease of $149,000 for the period as a result of the following:

- Project administration – these expenses totalled $2,773,000 for 2013 compared to $1,447,000 for 2012, with the net increase of $1,326,000 being a result of:
    - Invicta-related expenses of $1,156,000 for the entire 2013 year ($219,000 – for the fourth quarter of 2012 only), an increase of $937,000;
    - Costs related to a restructuring of LGP's Lima office personnel, totalling approximately $184,000;
    - Reduced share-compensation expenses to $111,000 for 2013 ($218,000 – 2012), for a net decrease of $107,000; and
    - Individually insignificant miscellaneous costs totalling approximately $312,000.

- Drilling expenses totalled $Nil for 2013 compared to $1,136,000 for 2012, for a decrease of $1,136,000;
- Camp, community relations and related costs – these expenses totalled $2,133,000 for 2013 compared to $1,722,000 for 2012, the net increase of $411,000 being a result of :
  - Invicta-related expenses of $567,000 for the entire 2013 year ($217,000 – for the fourth quarter of 2012 only), an increase of $350,000;
  - An increase in community relations contractor, access payments and project costs of $552,000 for 2013;
  - Costs related to a 2013 restructuring of LGP's Crucero personnel, totalling approximately $142,000;
  - Comparable cost reductions of $522,000 for 2013 as there was no Crucero drilling activity in 2013, unlike 2012; and
  - A net decrease in individually-insignificant miscellaneous costs associated with reduced camp activities for 2013, totalling approximately $109,000, which includes $13,000 ($61,000 – 2012) of share-based compensation expense.
- Technical reports, assays and related costs – these expenses totalled $320,000 for 2013 compared to $460,000 for 2012, with the decrease of $140,000 being the result of:
  - Additional regional structural geology interpretation study (SRK) and metallurgical study (Ausenco) costs totalling approximately $87,000 for 2013; and
  - Invicta-related expenses of $35,000 for 2013 ($1,000 – 2012); offset by
  - A decrease in assay costs for 2013 of $261,000 since there has been no drilling in 2013.
- Transportation, reclamation, consulting and professional fees – these expenses totalled $100,000 for 2013 compared to $710,000 for 2012, with the decrease of $610,000 being primarily attributable to there being no drilling activity in 2013.

General and administration expenses

All such expenses relate to the Canadian operations of Lupaka Gold and totalled $2,968,000 for 2013 compared to $2,673,000 for 2012, producing a net increase of $295,000 as a result of the following:

- Salaries and benefits, professional and regulatory fees, office and general, and travel – these expenses totalled $1,794,000 for 2013 compared to $1,902,000 for 2012, a decrease of $108,000 primarily due to a decrease of $109,000 in share-based compensation expense;
- Shareholder and investor relations – these expenses totalled $1,175,000 for 2013 compared to $594,000 for 2012, an increase of $581,000 reflecting the costs of investor relations programs implemented in the second and third quarters, as previously noted above, and an increase in the related share-based compensation expense of $34,000 ($155,000 – 2013; $121,000 – 2012); and
- Corporate development – these expenses totalled $Nil for 2013 compared to $177,000 for 2012, a decrease of $177,000. The 2012 expenses were as a result of the Andean American due diligence costs. There were no such corporate due diligence costs for 2013.

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 months and years ended December 31, 2013 and 2012 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 December 31,		Years ended December 31,	
	2013 ($000's)	**2012 ($000's)**	**2013 ($000's)**	**2012 ($000's)**
Salaries and benefits	98	186	330	439
Shareholder and investor relations	54	35	155	121
Project administration	30	(6)	111	217
Camp and related	4	61	13	61
Consulting and other	3	6	9	16
Total share-based compensation	189	282	618	854

Impairment loss on available-for-sale financial asset

As at December 31, 2013, the aggregate fair market value of this investment was $904,000 ($2,510,000 – December 31, 2012), 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 impairment losses of $1,657,000 during the year. Southern Legacy's common shares also trade on the BVL.

Liquidity and Capital Resources

(in thousands)	**December 31, 2013** ($000's)	**December 31, 2012** ($000's)
Cash and cash equivalents	3,906	10,716
Working capital (defined as current assets less current liabilities)	2,502	9,737
Total assets	33,106	42,780
Current liabilities	1,777	1,563
Shareholders' equity	31,106	41,217

The principal changes in the Company's cash during the year ended December 31, 2013 were as follows:

- Cash used in operating activities in the year ended December 31, 2013 was $6,650,000 ($8,081,000 - 2012), principally to fund the Company's loss for the period of $9,782,000 ($9,596,000 – 2012) which was offset by non-cash charges including depreciation of $350,000 ($128,000 – 2012), the impairment loss on the investment in Southern Legacy of $1,657,000 ($1,476,000 – 2012), share-based compensation of $618,000 ($854,000 – 2012), other miscellaneous non-cash expenses of $82,000 ($(10,000) – 2012), as well as net changes in non-cash working capital of an increase of $425,000 (decrease of $940,000 – 2012).
- Net cash used in investing activities in the year ended December 31, 2013 totalled $149,000 from purchases of equipment for $107,000, sales of equipment for $10,000 and $52,000 for the acquisition of additional common shares of Southern Legacy, as compared to net cash from investing activities in the year ended December 31, 2012 totalling $9,366,000, primarily a result of the cash acquired on the acquisition of Andean American on October 1, 2012 of $13,502,000

offset by LGP acquisition costs of $3,057,000, equipment purchases of $309,000 and $770,000 in due diligence and related transaction costs pursuant to the acquisition of Andean American.

- The Company had no cash flows from or used in financing activities in the year ended December 31, 2013. Net cash used in financing activities during 2012 totalled $4,026,000, resulting from the payment of $4,076,000 (US $4 million) for the remaining 40% of LGP that it did not already own and proceeds from the exercise of stock options of $50,000.

Total current liabilities as at December 31, 2013 were $1,777,000 ($1,563,000 - December 31, 2012), comprised of $1,406,000 ($1,019,000 - December 31, 2012) of accounts payable and accrued liabilities, mostly for current community obligations, and $371,000 of provisions for reclamation ($544,000 - December 31, 2012).

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.

Management believes that cash and cash equivalents on hand as at March 27, 2013 will be sufficient to fund the Company's planned head office and Peru exploration activities through the balance of 2014. If required, the Company can adjust its discretionary expenditures in the areas of administration and exploration to preserve cash.

On an ongoing basis, the Company examines various financing alternatives to address future funding requirements. Additionally, the Company is evaluating its potential opportunities to monetize certain of its non-core assets, such as the Invicta Gold Project and Southern Legacy shareholdings. There is no guarantee of the sufficiency or success of these initiatives.

As at December 31, 2013, the Company's aggregate common share capital was $56,380,000 ($55,782,000 - December 31, 2012) representing 84,495,110 issued and outstanding common shares without par value (81,751,769 - December 31, 2012), 8,439,350 share options outstanding (6,348,475 - December 31, 2012), and 7,279,167 share purchase warrants outstanding (8,079,167 - December 31, 2012).

Outstanding Share Data

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

- basic – 84,495,110 common shares
- fully-diluted – 99,766,627 common shares, after including:
  - 7,992,350 stock options, with exercise prices ranging from $0.20 to $4.08, of which 5,989,850 options are vested; and
  - 7,279,167 share purchase warrants, with a weighted average exercise price of $2.22.

Accumulated Deficit

The Company's accumulated deficit was $29,321,000 as at December 31, 2013 ($19,539,000 - December 31, 2012), with the increase in deficit of $9,782,000 reflecting the loss incurred for the year ended December 31, 2013.

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 years ended December 31, 2013 and 2012 are as follows:

- The Company paid consulting fees of $95,000 ($90,625 – 2012) to Gordann Consultants Ltd.
- The Company paid consulting fees of $140,000 ($120,000 – 2012) to Havilah Holdings Ltd.
- The Company paid consulting fees of $4,098 ($8,571 – 2012) 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 December 31, 2013, there were no amounts payable to related parties.

Adoption of new and amended IFRS pronouncements

On January 1, 2013, The Company adopted the following new and revised standards:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement

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 consolidated financial statements has not been determined.

In May 2013, the IASB published IFRS Interpretations Committee Interpretation 21 ("IFRIC 21"), Levies, which provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. IFRIC 21 does not include income taxes (covered under IAS 12, Income Taxes), fines and other penalties, liabilities arising from emissions trading schemes and outflows within the scope of other Standards. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. Adoption of IFRIC 21 is not expected to have a significant effect on the consolidated financial statements of the Company.

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

Significant accounting judgments

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

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

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

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

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

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

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

Key sources of estimate uncertainty

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

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

Accounting Policies

The Company's Audited Financial Statements have been prepared in accordance with and using accounting policies in full compliance with Part I of the Canadian Institute of Chartered Accountants Handbook standards. These consolidated financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

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, 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 December 31, 2013 are considered to be sufficient to fund the Company's ongoing operational needs through to the end of 2014. At December 31, 2013, the Company's contractual obligations (undiscounted) are as follows:

In thousands of dollars	December 31, 2013 $	December 31, 2012 $
Trade and other payables	1,406	1,019
Provision for reclamation	371	544
Total	1,777	1,563

Market risk

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

Foreign exchange risk

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

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

In thousands of US dollars	December 31, 2013 $	December 31, 2012 $
Cash and cash equivalents	1,290	1,359
Current liabilities	(434)	(166)

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

Price risk

The Company has exposure to fluctuations in the market prices of its financial instruments, specifically the investment in Southern Legacy. Historical movements and volatilities in market variables may significantly increase or decrease the value of the Company's investment in Southern Legacy. Based on the Company's carrying value of its investment in Southern Legacy as at December 31, 2013, a 10% fluctuation in its market value would result in an increase or decrease of approximately $90,000 in the Company's comprehensive loss.

Interest rate risk

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

Commodity price risk

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold has fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for gold. A decline in the market price of gold may also require the Company to reduce its mining interests, which could have a material and adverse effect on the Company's value. As of December 31, 2013, the Company was not a gold producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

(b) Fair value of financial instruments

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

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

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

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

For the year ended December 31, 2013, an evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined by the rules of the Canadian Securities Administrators, was performed by the Company's management with the oversight of the chief executive officer and chief financial officer. Based upon that evaluation, the Company's chief executive officer and chief financial officer have concluded that as of the end of the 2013 fiscal year, the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company is: (i) recorded, processed, summarized and reported within the time periods specified in Canadian securities law; and (ii) accumulated and communicated to the Company's management, including its chief executive officer and chief financial officer, to allow timely decisions regarding 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.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2013. In making its assessment, management used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework in Internal Control – Integrated Framework to evaluate the effectiveness of the Company's internal control over financial reporting.

Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2013.

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 three months ended December 31, 2013, 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.

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CORPORATE INFORMATION

DIRECTORS AND OFFICERS

Gordon Ellis, Executive Chairman, Director
Eric Edwards, Director, President and CEO
Hernan Barreto, Director
John Graf, Director
Norman Keevil, Director
Jaime Pinto, Director
Luquman Shaheen, Director
Stephen Silbernagel, Director
Darryl Jones, CFO
Kathleen Scales, Corporate Secretary

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: LPK

Lima Stock Exchange
Venture Exchange Section
Symbol: LPK

Frankfurt Exchange
Symbol: LQP

COMPANY WEBSITE

www.lupakagold.com

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting of Shareholders of Lupaka Gold Corp. will be held on Friday May 16, 2014, at 10:00 am (Pacific) at the offices of DuMoulin Black LLP, 10th Floor - 595 Howe Street, Vancouver, BC Canada, V6C 2T5

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LUPAKA GOLD