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.

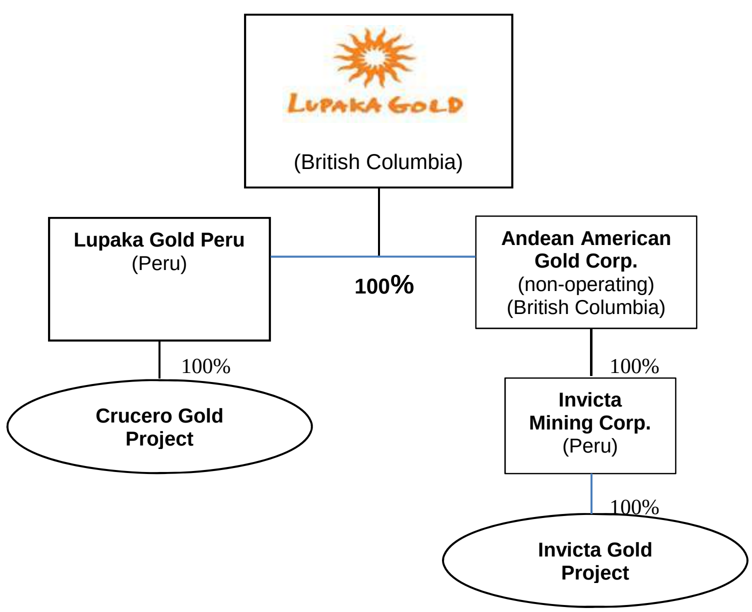
Corporate Structure

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 Oz	Au Oz	Ag Oz	Cu Lbs	Pb Lbs	Zn Lbs
Total - All Zones	Measured	131	6.65	4.29	31.71	0.73	0.39	0.38	28	18	133	2,119	1,110	1,105
	Indicated	8,513	3.43	2.09	15.65	0.42	0.24	0.28	939	573	4,285	79,048	45,171	53,482
	M + I	*8,644*	*3.48*	*2.13*	*15.90*	*0.43*	*0.24*	*0.29*	*967*	*591*	*4,418*	*81,167*	*46,281*	*54,587*
	Inferred	*2,534*	*2.90*	*1.61*	*12.02*	*0.46*	*0.27*	*0.18*	*236*	*131*	*979*	*25,879*	*14,891*	*9,854*

***Notes:**

- Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimate will be converted into a Mineral Reserves estimate;

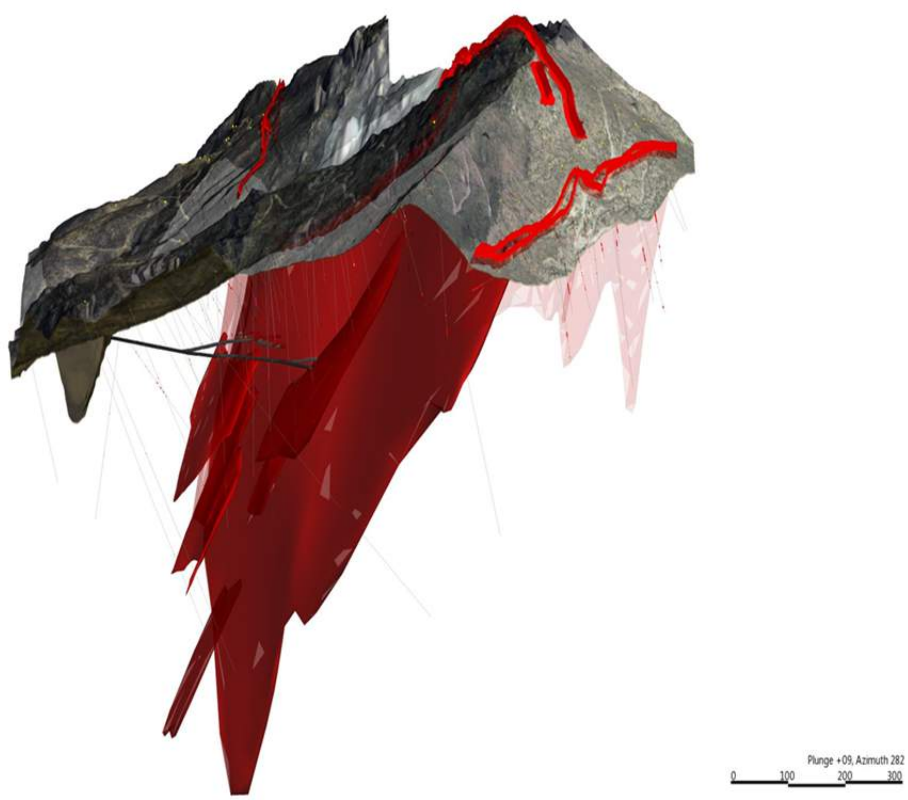
- Resources stated as contained within potentially economically mineable underground solids stated above a 1.3g/t Au Equivalent cut-off;
- The resource is stated at a 1.30 g/t gold equivalent cut-off contained within potentially economically mineable mineralized solids. Metal prices assumed for the gold equivalent calculation are US$1,500/oz for gold, US$32.50/oz for silver, US$3.90/lb for copper, US$1.05/lb for lead and US$1.00/lb for zinc. The gold equivalent calculation assumes 100% metallurgical recovery, and does not account for any smelting, transportation or refining charges.
- Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding;
- Mineral resource tonnage and grade are reported as diluted to reflect a potentially minable underground selective mining unit of 3.0m; and
- The resource model has not been depleted for historical artisanal mining as the location and extent of these workings are largely undocumented.

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

(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:

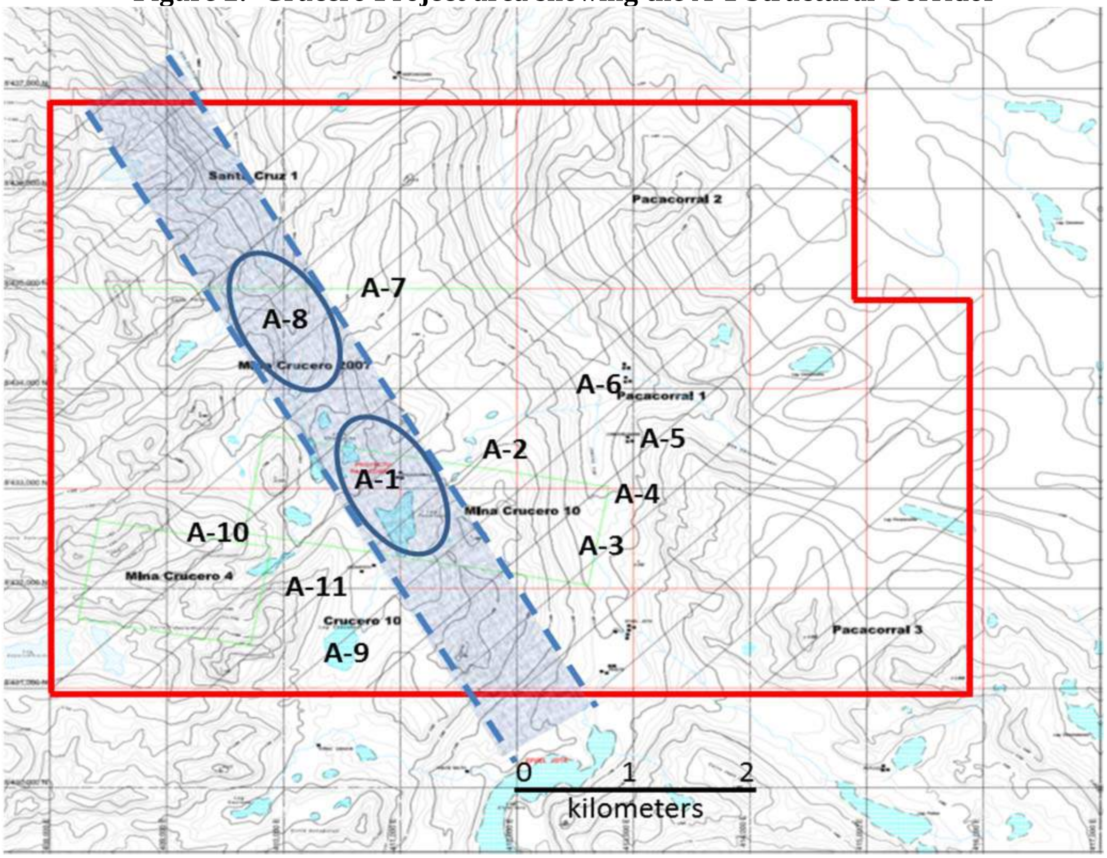
Parameter	Value	Unit
Gold Price	1,400.00	US$/oz
Mining Operating Cost (Mineralized Material and Waste)	1.50	US$/t milled
Process Operating Cost	13.00	US$/t milled
General & Administrative	2.00	US$/t milled
Overall Pit Slope	47	Degrees
Gold Process Recovery	90	%
Mining Dilution	5	%

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

2010 Drill Program

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.

2011 Drill Program

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.
>
> <u>Conclusions and Recommendations from the test work</u>
>
> 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

(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.

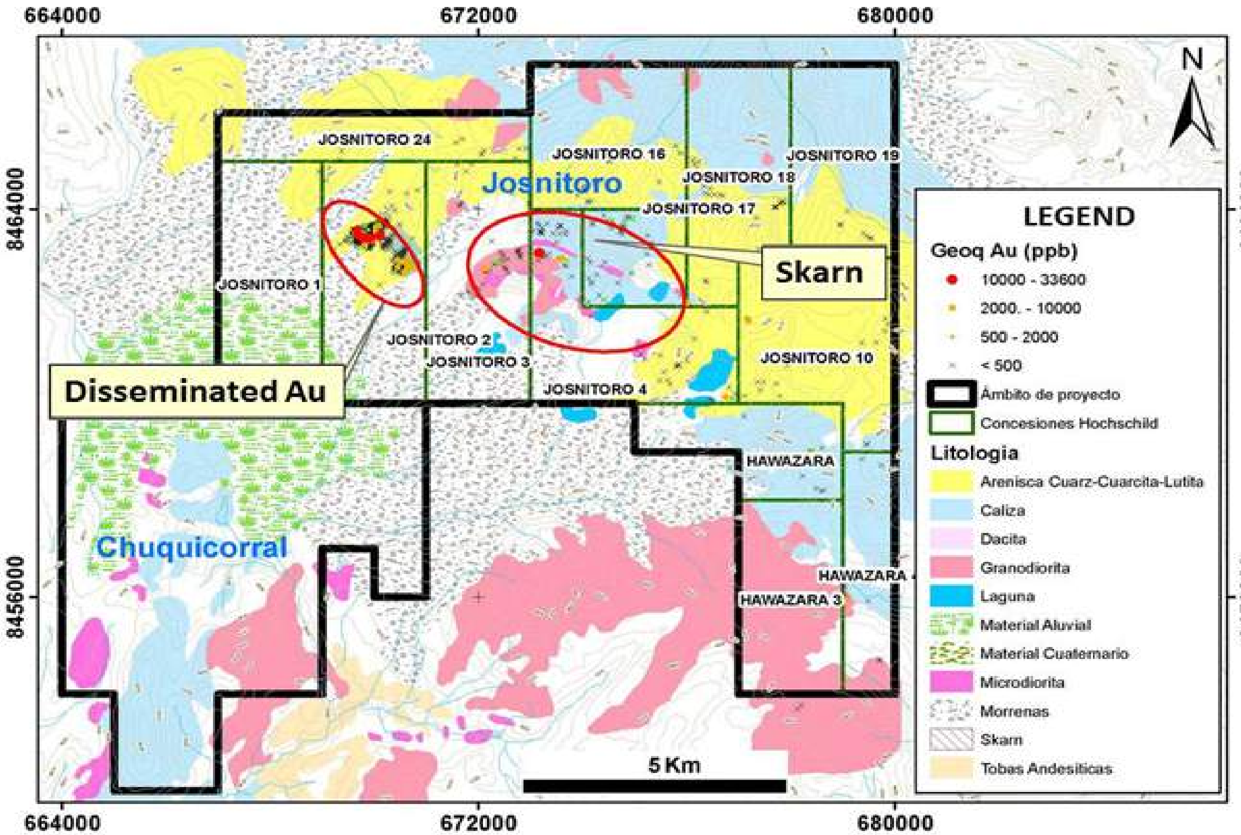
There have been 174 rotary percussion holes drilled on the property up to 18m deep each for a total drill amount of 2,856m. Highlights include 12m @ 4.02 g/t Au and 6m @ 4.88 g/t Au.

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.