MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the unaudited condensed consolidated financial statements of Lupaka Gold Corp. ("Lupaka Gold") and the notes thereto for the periods ended June 30, 2019 and 2018 (collectively referred to hereafter as the "Financial Statements").

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

This MD&A provides management's comments on Lupaka's operations for the three and six-month periods ended June 30, 2019 and 2018, and the Company's financial condition as at June 30, 2019, as compared with the prior year-end.

The effective date of this MD&A is August 21, 2019 (the "MD&A Date")**.**

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

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

The Financial Statements and the MD&A were approved by the Board of Directors on August 21, 2019.

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: resolution of potential defaults declared under the PLI Financing Agreement and any related financial obligations; the amount of financings needed; management's expectations regarding the ability to raise equity capital; expected use of proceeds; business objectives and strategies; the assets and liabilities of Lupaka; the acquisition of interests in mineral properties; the timing of completion and success of community relations (including with respect to agreements with local communities), exploration and development activities, permitting and related programs on the Invicta Gold ("Invicta") Project; requirements for additional capital; the estimation of mineral resources; the effect of government policies and announcements; and changes to applicable laws in Peru on the Company's operations. In certain cases, Forward-Looking Information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

The Forward-Looking Information is based on certain assumptions that the Company believes are reasonable, including: that defaults declared by PLI under the PLI Financing Agreement and any related financial obligations can be satisfactorily resolved; 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 2019 will be consistent with the Company's expectations; that the Company's current development and other objectives concerning the Invicta Project can be reasonably obtained; that the results of exploration and other activities will be consistent with management's expectations; that the demand for gold and other metals produced by the Company 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 development of the Invicta 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 development activities being different than those expected by management; changes in exploration programs based upon results of exploration; changes in estimated mineral resources; future prices of metals; currency and interest rate fluctuations; financial risk exposure of the Company such as credit and liquidity risk; availability of third party contractors; increased costs of labour, equipment or materials; increased costs as a result of changes in project parameters; availability of equipment; failure of equipment to operate as anticipated; accidents, effects of weather and other natural phenomena and other risks of the mineral exploration industry; political risks involving the Company's operations in a foreign jurisdiction; environmental risks; risks related to community relations and activities of stakeholders; and unanticipated delays in obtaining or failure to obtain community, governmental, judicial or regulatory approvals, or financing; as well as those factors referenced in the section entitled "Risk Factors" in this MD&A. Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in Forward-Looking Information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that Forward-Looking Information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on Forward-Looking Information.

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

Cautionary Note to US Investors

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

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

Qualified Person

The technical information in this document has been reviewed and approved by Julio Castañeda Mondragon, MAIG, an advisor to the Company and a Qualified Person as defined by National Instrument 43-101. Mr. Castañeda is responsible for the verification of the technical disclosure in this document, unless otherwise noted.

Overall Performance

Lupaka Gold is a Peru-focused mineral development and exploration company, focused on the advancement of the Invicta Project towards potential production in 2019.

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

- On July 29, 2019 the Company announced that it had accepted the resignation of Will Ansley as President, CEO, and Director, and Ryan Webster as CFO of the Company, (both) effective July 31, 2019. Gordon Ellis, co-founder and Chairman of the Company's board of directors has been appointed President and CEO and Darryl Jones, the Company's former CFO, will fill the position of CFO;
- On July 3, 2019 the Company announced that PLI Huara Holdings L.P. ("**PLI**"), the creditor to the Company under the PLI Financing Agreement, had issued a formal notice of acceleration on the PLI Agreement, as well as declaring an early termination date of the loan and immediate payment of US$15,581,654 - Lupaka expressly does not agree with PLI's estimation of the early termination amount as set out in the Acceleration Notice or their attempt to enforce on security pursuant to the Acceleration Notice, and will respond to PLI's actions in due course. Lupaka is currently considering all actions available to it in response to PLI's Acceleration Notice(see ***Mineral Projects/Invicta Project)***;
- On July 2, 2019 the Company announced that Pandion Mine Finance (the managing partner of PLI) had advised the Company that PLI had been sold to Lonely Mountain Resources S.A.C. ("Lonely Mountain");
- On March 21, 2019 the Company announced that the nearby community of Paran failed to honour their commitment to remove their illegal blockade, which is preventing continuous access to Invicta;
- On March 14, 2019 the Company announced the closing of $1.5 million of a non-brokered private placement and shares-for-debt transaction ("SFD Transaction"). $665,000 in gross proceeds was raised in the private placement and approximately $874,000 of debt was converted;
- On March 4, 2019 the Company announced the end of the illegal blockade by the community of Paran at Invicta and that access to the Invicta site had been restored;
- On January 28, 2019 the Company provided an update on the illegal blockade by the community of Paran at Invicta, announced a non-brokered private placement, announced that Daniel Kivari, Director of Operations, was no longer with the Company, and announced that Luis Felipe Bravo had joined the Company as Country Manager;
- On November 22, 2018 the Company announced the grant of incentive stock options;
- On November 4, 2018 the Company and WIN Expertise agreed to terminate the consulting agreement dated February 9, 2018 for WIN Expertise to provide corporate advisory and investor relations services to the Company. This termination had an immediate effect;
- On October 25, 2018, the Company announced that operations at Invicta had been impacted by an illegal demonstration by a group of community members from the nearby community of Paran;
- On September 18, 2018, the Company reported 10.69 grams per tonne (**"g/t"**) gold equivalent (**"Au-Eq."**) along strike length of 65 m from extension on 3430 sublevel at Invicta. On-vein development extended by 105 m (see ***Mineral Projects/Invicta Project)***;
- On August 21, 2018, the Company announced that it had commenced toll processing of mineralized development material from Invicta (see ***Mineral Projects/Invicta Project)***;
- On July 5, 2018, the Company reported 23.45 grams per tonne (**"g/t"**) gold equivalent (**"Au-Eq."**) over ~30 m from sampling in vertical raise development, in preparation for mining at Invicta (see ***Mineral Projects/Invicta Project)***;
- On July 1, 2018, the Company relocated its head office from Vancouver to #1413 – 181 University Avenue, Toronto;

Outlook

In October 2018, the Company was impacted by an illegal blockade and demonstrations by a group of community members from the community of Paran (the "Paran Blockade"). The demonstrators have blockaded the access road situated on Lacsanga Community land and which is located directly outside of the main gate at Invicta, thereby preventing access to the Invicta Project site.

On March 4, 2019 the Company reached an agreement with the community of Paran to abandon the blockade and future demonstrations. However, on March 21, 2019 the community failed to honour their commitments under the agreement to provide continuous access to Invicta. The Company continues to work with Peru authorities to reach a positive conclusion to the blockade and regain complete access to the Invicta Project.

The Company's immediate priorities are to resolve the illegal Paran Blockade, resolve issues with creditors (including PLI), complete the development and preparation of the Invicta mine and related infrastructure to achieve commercial operations at the Invicta Project and potentially achieve positive cash flow in 2019 and beyond.

Overall, project development is approximately 90% complete and sufficient material has been broken and prepared for transportation to toll mills for processing. The final inspection for the mining exploitation license, which was originally scheduled for October 2018, remains outstanding.

The illegal Paran Blockade has resulted in:

1) significant delays in the Company's ability to develop and operate Invicta, including the inability to obtain the mining exploitation license and realize commercial production;
2) an inability to perform on-site health, safety and environmental assessments;
3) a loss of contracted toll milling capacity; and
4) an inability for the Company to achieve operational cash flow as originally scheduled.

Consequently, this has caused the Company to delay scheduled payments to PLI and to most vendors. According to PLI, the Company is in default of PLI Financing Agreement, <u>however the Company considers the Paran Blockade to be a force majeure event under the PLI Financing Agreement</u>.

The Company is working with its lenders and vendors on implementing restructured payment plans and securing necessary waivers. In the meantime, the Company's staff has been reduced and all non-essential employees have been placed on leave without pay due to force majeure or have been laid-off. All head office personnel have agreed to reduced or deferred salaries until such time as the Company's cash flow issues are resolved.

The high level of advancement of the Invicta Project together with the current and forecasted gold prices being higher than those used in the Company's PEA (see ***Invicta Project*** below) lead the Company to continue to pursue a successful resolution of the Paran Blockade and PLI Financing Agreement.

Going Concern

The Company's unaudited condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used, and such adjustments would be material.

As at June 30, 2019, the Company has a working capital deficit of $8,147,000 and negative cash flow from operating activities of $218,000 for the six months ended June 30, 2019. In addition, the Company is potentially in breach of certain covenants that resulted in a technical default notice being issued by PLI. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flow from operating activities, raise funds primarily through the issuance of shares or obtaining alternative financing, which it has been successful in doing so in the past. The ability to generate positive cash flow is contingent on regaining access to the Invicta mine site by successfully resolving the illegal Paran Blockade. There is no certainty that sufficient financing can be obtained in the future.

As the outcome of these matters cannot be predicted at this time, if the Company is unable to generate positive cash flow from operating activities or obtain additional financing, management may be required to further curtail certain expenses.

Corporate Structure

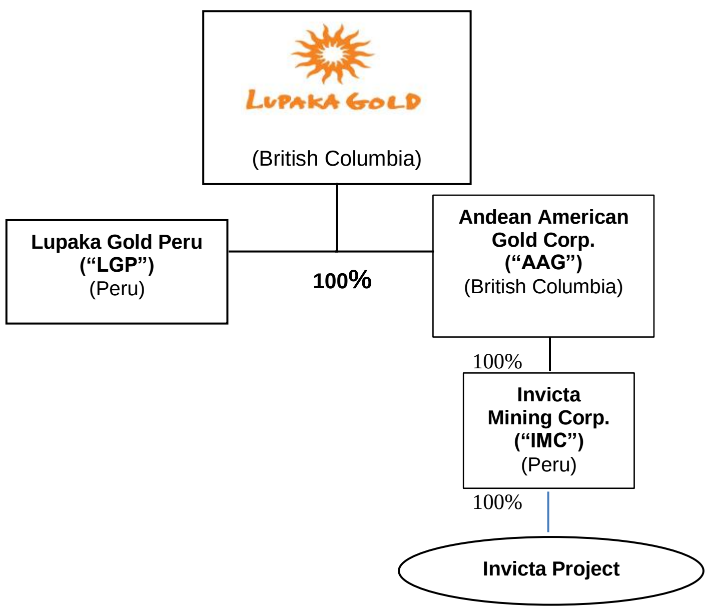
Lupaka Gold was incorporated under the *Company Act* (British Columbia) (predecessor to the British Columbia *Business Corporations Act*) on November 3, 2000 under the name "Kcrok Enterprises Ltd." and transitioned to the *Business Corporations Act* (British Columbia) on November 2, 2005. On May 4, 2010,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

Lupaka Gold's head office and records and registered offices have been relocated to 1569 Dempsey Avenue, North Vancouver, BC V7K 1S8.

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

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

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



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

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

As at August 21, 2019, Lupaka Gold had a market capitalization of ~$4 million.

Personnel

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

As of the MD&A Date, the number of staff with the Company was as follows:

	June 30 2018	Sept 30 2018	Dec 31 2018	Mar 31 2019	Jun 30 2019	MD&A Date
Canada	5	4	3	3	3	4
Peru						
Administration	6	8	5	4	4	3
Development & Technical	25	23	10	5	1	1
Total	36	36	18	12	8	8

Due to the illegal Paran Blockade which has continued through the second quarter and to the MDA Date, a number of staff in Peru have been placed on unpaid leave. Upon resolution of the illegal Paran Blockade, some of these employees may return to work, depending on their availability.

Given the Company's strategy of utilizing third-party contractors for construction, mining, road transport and milling, the Company will be employing staff for supervisory and technical purposes, as needed. Consequently, the number of such staff employed will vary over time.

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

Management
On July 29, 2019, the Company announced the resignation of Will Ansley as President, CEO, and Director, and Ryan Webster as CFO of the Company, (both) effective July 31, 2019. Gordon Ellis, co-founder and Chairman of the Company's board of directors was appointed President and CEO and Darryl Jones, the Company's former CFO, will fill the position of CFO.

Effective May 22, 2019, the Company's shareholders elected Gordon L. Ellis, William (Will) Ansley, Norman Keevil III, Lucio Pareja, Luquman Shaheen, and Mario Stifano as directors of the Company.

On November 4, 2018 the Company and WIN Expertise agreed to terminate the consulting agreement dated February 9, 2018 for WIN Expertise to provide corporate advisory and investor relations services to the Company. This termination was effective immediately.

On October 24, 2018 Mr. Julio Castañeda, Country Manager for Peru left the Company. Effective January 28, 2019 Daniel Kivari, Director of Operations was no longer with the Company. Effective February 1, 2019 the Company appointed Mr. Luis Felipe Bravo as Country Manager for Peru. Mr. Castañeda and Mr. Kivari continue to provide consulting services to the Company from time to time.

On May 23, 2018, the Company appointed Mr. Mario Stifano to the Board of Directors, following the resignation of Mr. Stephen Silbernagel. Mr. Silbernagel will continue with the Company as a Board Advisor. Additionally, Mr. Ryan Webster was appointed Chief Financial Officer, effective June 1, 2018. The former Chief Financial Officer, Mr. Darryl Jones, retired as an officer of the Company as of May 31, 2018.

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

Please see the Company's AIF for the history of the Company, including, but not limited to the:

- Historical financings of Lupaka Gold and the acquisition of the Crucero Gold Project ("Crucero")
- Agreements with K-Rok Minerals Inc. ("K-Rok", a related party and >10% shareholder of Lupaka Gold)
- LGP Purchase Agreement and the Buyout of the LGP Vendors

- October 2012 acquisition of AAG (which included ownership of a 17% interest in Southern Legacy and a 100% interest in the Invicta Project)
- Company's mineral project concession listings, related exploration history, and
- Summary of the now-superseded Invicta Project mineralized resource estimate based on a technical report titled "NI 43-101 Technical Report on Resources, Invicta Project, Huaura Province, Peru" dated April 16, 2012 and prepared by SRK Consulting (U.S.) Inc. (the "April 2012 Invicta Technical Report", see www.sedar.com). See the summary of the April 2018 Technical Report below.

Mineral Projects

After the November 2017 sale of Crucero (see the Company's audited consolidated financial statements and management's discussion and analysis located at www.lupakagold.com / Investors / Financial Reports & Filings) and the termination of the Josnitoro Gold Project JV with Hochschild Mining plc ("Hochschild"), the Company's sole project is the Invicta Project, located in Peru as set out in Figure 1 below:

Figure 1: Location of Invicta Project

INVICTA PROJECT

On March 1, 2018, the Company announced the results of a Preliminary Economic Assessment ("PEA") prepared pursuant to National Instrument 43-101 (NI 43-101) on the Company's 100% owned Invicta Project ("Invicta Project" or "Invicta"), located 120 kilometres ("km") north of Lima, Peru.

The PEA is entitled "Technical Report on the Preliminary Economic Assessment for the Invicta Gold Project, Huaura Province, Peru" (the "April 2018 Technical Report"), was prepared by SRK Consulting (Canada) Inc. and is dated April 13, 2018. As a result of a review by the BCSC, an updated report dated May 11, 2018 was filed with no material changes from the April 2018 Technical Report. The complete Technical Report can be found at www.sedar.com under the "Lupaka Gold Corp." profile.

Invicta Project PEA Highlights:

All values are in US dollars unless otherwise indicated

- Updated Mineral Resource Statement of 3.0 million tonnes of Indicated Mineral Resources at 5.78 g/t Au-Eq.[1] using a 3.0 g/t cut-off, and 0.6 million tonnes of Inferred Mineral Resources at 5.49 g/t Au-Eq.
- Initial 6-year mine plan (underground) designed on a portion of the mineral resource utilizing the existing infrastructure and minimizing capital start-up costs
- Sub-level open stope mining producing ~ 670,000 tonnes of mineable resource at an estimated grade of 8.6 g/t Au-Eq. with production of ~ 185,000 Au-Eq. oz (within initial 6-year mine plan)
- Average annual pre-tax cash flows of $10.2 million, average annual after-tax cash flow of $8.2 million
- Annual production of 33,700 Au-Eq. oz, during steady-state
- Annual payable metal of 26,700 Au-Eq. oz, during steady-state
- All-in Sustaining Costs of $575 per Au-Eq. oz over initial 6-year mine life, average annual pre-tax operating profit of $12.3 million
- Pre-tax 5% NPV of $53.6 million
- After-tax 5% NPV of $43.4 million
- Low capital investment: $4.3 million in pre-production capital with a payback of less than one year
- Strong upside potential for additional mineral resource growth
- Located in a premier South American mining jurisdiction, operating permits and community agreement in place

[1]Au-Eq. calculations in the PEA are based on $1,250 Au, $17.00 Ag, $3.00 Cu, $1.20 Zn, and $1.05 Pb

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

The PEA was undertaken on the Invicta Project to evaluate the economic viability of the underground extraction of Indicated and Inferred Mineral Resources from the Atenea Vein close to the existing 3400 Level adit (up to 130 metres ("m") above the 3400 Level) utilizing a sub-level long-hole open stoping mining method supported by initial toll treatment processing options.

The PEA considers only part of the reported Mineral Resource (the Atenea Vein close to existing infrastructure) with the objective of generating a positive cash flow from a low-cost operation while simultaneously re-investing in and further evaluating the deposit to potentially expand production in future.

The PEA was undertaken by a multi-disciplinary team of independent consultants from SRK Consulting (Peru) Inc., SRK Consulting (Canada) Inc. and Transmin Metallurgical Consultants in collaboration with Lupaka.

The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the PEA will be realized.

Geology / Mineral Resources

The generation of the geology and mineral resource model was undertaken by SRK Consulting (U.S.), Inc. in 2012 considering 112 core boreholes drilled by previous operator Pangea Peru S.A. during the period of 1997 to 1998, 53 core boreholes drilled by IMC between 2006 and 2008 and 10 underground channels between 2007 and 2008, and reviewing the mineralization exposed by previous underground workings. Mesothermal to epithermal polymetallic mineralization with a high gold and silver content has been modeled within seven quartz-hosted wireframes at the Invicta Project. The mineral resource model is a geostatistical-based block model constrained by geological wireframes, documented in a technical report filed by previous owner, Andean American Gold Corporation, in April 2012. No additional exploration data has been acquired on the project since the generation of the model in 2012.

The Mineral Resource Statement, which forms the basis of the PEA, was reviewed by SRK Consulting (Canada) Inc. and found to fairly reflect the informing data and the geological interpretation at the time of modeling. The Mineral Resource Statement has been re-stated to reflect current metal prices and costs. The Mineral Resource Statement for the Invicta Project is tabulated in Table 1, reported to a cut-off grade of 3.0 g/t Au-Eq. Cut-off grades are based on a price of US$1,250 per ounce of gold, US$17.00 per ounce of silver, US$3.00 per pound of copper, US$1.05 per pound of lead and US$1.20 per pound of zinc. The equivalent gold calculation assumes mill recoveries of 85 percent for gold, 80 percent for silver, 82 percent for copper and lead and 77 percent for zinc.

This Mineral Resource Statement differs from that previously reported in 2012, primarily due to the reduction of metallurgical recovery assumptions, an increase in gold equivalent cut-off grade from 1.3 g/t to 3.0 g/t, and revisions to metal price assumptions.

Table 1: Mineral Resource Statement[1,2], Invicta Project, Huaura Province, Peru, SRK Consulting (Peru) S.A., March 1, 2018

			Metal Grade						Contained Metal (000's)					
Zone	**Category**	**Tonnes (000's)**	**AuEq (g/t)**	**Au (g/t)**	**Ag (g/t)**	**Cu (%)**	**Pb (%)**	**Zn (%)**	**AuEq (oz)**	**Au (oz)**	**Ag (oz)**	**Cu (lb)**	**Pb (lb)**	**Zn (lb)**
Atenea All Zones	Indicated	2,516	6.03	4.19	26.68	0.64	0.39	0.47	488	339	2,158	35,513	21,429	25,988
	Inferred	535	5.40	5.09	4.77	0.06	0.11	0.16	93	88	82	673	1,315	1,878
Dany	Indicated	55	4.03	1.36	31.57	1.39	0.05	0.06	7	2	56	1,683	59	77
	Inferred	4	4.50	1.48	38.57	1.56	0.03	0.06	1	0	5	132	3	5
Pucamina	Indicated	229	4.63	4.02	10.27	0.09	0.31	0.30	34	30	76	443	1,582	1,495
	Inferred	21	3.76	3.37	5.32	0.16	0.04	0.08	3	2	4	75	18	35
Ydalias All Zones	Indicated	9	7.60	4.38	39.21	1.50	0.37	0.23	2	1	11	294	71	45
	Inferred	0	8.00	3.91	51.60	2.00	0.27	0.18	0	0	0	13	2	1
Zone 4	Indicated	190	4.38	3.38	14.93	0.43	0.13	0.09	27	21	91	1,805	536	371
	Inferred	16	3.92	1.72	20.79	1.17	0.08	0.05	2	1	11	417	28	20
Total All Zones	**Indicated**	**2,999**	**5.78**	**4.07**	**24.81**	**0.60**	**0.36**	**0.42**	**558**	**392**	**2,392**	**39,739**	**23,678**	**27,977**
	Inferred	**577**	**5.29**	**4.91**	**5.49**	**0.10**	**0.11**	**0.15**	**98**	**91**	**102**	**1,311**	**1,365**	**1,939**

[1] Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate. All composites have been capped where appropriate.

[2] Underground mineral resources are reported at a cut-off grade of 3.0 g/tonnes of gold-equivalent. Cut-off grades are based on a price of US$1,250 per ounce of gold, US$17.00 per ounce of silver, US$3.00 per pound of copper, US$1.05 per pound of lead and US$1.20 per pound of zinc. The gold-equivalent calculation assumes 85 percent recovery for gold, 80 percent recovery for silver, 82 percent recovery for copper and lead and 77 percent recovery for zinc.

Grade Sensitivity Analysis

The Mineral Resources of the Invicta Project are sensitive to the selection of the reporting cut-off grade. To illustrate this sensitivity, the global block model quantities and grades are presented in Table 2:

Table 2: Global Block Model Quantities and Grade Estimates, Invicta Project at Various Cut-off Grades

Cut-off Grade (g/t Au-Eq.)	Indicated			Inferred		
	Quantity (000't)	Grade AuEq (g/t)	AuEq Metal (000' oz)	Quantity (000't)	Grade AuEq (g/t)	AuEq Metal (000' oz)
2.5	3,796	5.14	628	928	4.37	130
3.0	2,999	5.78	558	577	5.29	98
3.5	2,451	6.35	501	526	5.49	93
4.0	2,024	6.90	449	473	5.69	86
4.5	1,674	7.46	402	366	6.09	72
5.0	1,405	7.98	361	179	7.44	43

Mining and Processing

The PEA operating plan is based on the underground extraction of resources from the Atenea vein close to the existing 3400 Level adit (up to 130 m above the 3400 Level) utilizing a sub-level long hole open stoping mining method, with waste material as backfill where required.

Production as outlined by the PEA considers an average peak steady state rate of approximately 350 tonnes per day. The initial 6-year mine life commencing in 2018 is expected to produce a total of 669,813 tonnes of mineralized material inclusive of an assumed 11% external dilution with an 83% mine recovery (Table 3).

Table 3: Summary of PEA Production Schedule and Grades

		Total	2018	2019	2020	2021	2022	2023
Annual Mine Production	tonnes	669,813	89,905	124,510	124,949	124,368	123,790	82,291
Average Daily Production	Tpd	319	257	356	357	355	354	235
Au-Eq. Grade	g/t	8.58	8.55	8.47	9.20	8.62	7.45	9.45
Au-Eq. Produced Ounces	Oz.	184,708	24,723	33,896	36,963	34,484	29,644	24,997
Au-Eq. Payable Ounces	Oz	145,765	19,487	26,822	29,057	27,315	23,513	19,572

Results of metallurgical tests indicate that conventional flotation technology can be used to treat the mineral resources from Invicta. The flowsheet includes crushing, a primary grind, bulk lead, copper, gold and silver flotation, flotation of a Zn concentrate, bulk concentrate regrinding, and selective Cu/Pb flotation.

Table 4 illustrates the assumed concentrate recoveries and Table 5 shows the assumed concentrate grades.

Table 4: PEA Concentrate Recoveries

		Recovery			
		Cu conc	Pb conc	Zn conc	Total
Gold	%	77.3	10.6		87.9
Silver	%	45.5	34.1		79.6
Copper	%	84.1			84.1
Lead	%		82.6		82.6
Zinc	%		14.3	68.4	82.7

Table 5: PEA Concentrate Grades

		Concentrate		
		Cu	**Pb**	**Zn**
Copper	%	30.1	5.7	2.8
Lead	%	5.2	48.5	1.0
Zinc	%	1.9	5.5	54.9

Cash Flow Analysis (all amounts in US$)

Over the initial 6-year operating plan outlined in the PEA, the pre-tax NPV using a 5% discount rate is $53.6 million (Table 6) and the post-tax NPV using a 5% discount rate is $43.4 million (Table 7).

Table 6: Pre-tax Discounted NPV – Metal Price Sensitivities

Pre-Tax NPV ($ M)		**-10%**	**Base Case**	**+10%**
	0%	$43.6	**$60.9**	$78.2
Discount Rates	**Base Case 5%**	$38.2	**$53.6**	$69.0
	8%	$35.5	**$50.0**	$64.4
Payback Years		<1	**<1**	<1

Table 7: After-tax Discounted NPV – Metal Price Sensitivities

After-Tax NPV ($ M)		**-10%**	**Base Case**	**+10%**
	0%	$36.2	**$49.0**	$61.4
Discount Rates	**Base Case 5%**	$31.9	**$43.4**	$54.4
	8%	$29.8	**$40.6**	$50.9
Payback Years		<1	**<1**	<1

Metal price assumptions for the base case are $1,300 oz Au, $16.75 oz Ag, $3/lb Cu, $1.25/lb Zn, $1.05 Pb.

The revenue contributions of each metal are tabulated in Table 8.

Table 8: Revenue Contribution by Commodity and Percentage

	Total Project	**%**
Gold	$125.0	66
Silver	$11.3	6
Total Precious Metal	**$136.3**	**72**
Copper	$31.9	17
Zinc	$12.1	6
Lead	$9.2	5
Total	**$189.5**	**100**

Capital Cost Estimates (all amounts in US$)

The PEA has been designed to minimize initial capital outflows by utilizing the existing underground workings and infrastructure to access mineralization in proximity to the 3400 Level adit, rehabilitate and utilize the existing 65-person camp, and truck mineralized material to toll milling facilities thereby avoiding the requirement to build a plant on site. Initial pre-production capital expenditures are estimated at $4.3 million (Table 9). The projects pre-production capital consists of rehabilitation to existing underground and surface infrastructure, installation of underground services, preparation and development of underground infrastructure including a new crosscut at the 3430 Level to access the vein, ventilation raise and connection to the 3400 Level which completes the ventilation circuit and secondary egress, as well as significant improvements to the projects principal access road.

Excluded from capital expenditures is $1 million which was spent in 2017 to buy-back and extinguish the 1% royalty over Invicta owned by Franco Nevada. No additional royalties remain on the property.

Table 9: Initial Pre-Production Capital and Sustaining Capital Breakdown

	Initial Capital (M)	Sustaining Capital (M)	Total Capital (M)
Project infrastructure	$1.8	$2.3	$4.1
Development	$2.5	$6.1	$8.6
Total	**$4.3**	**$8.4**	**$12.7**

The Company has identified multiple toll treatment plants that would be capable of treating the mineralized material as per the PEA mine plan with minor modifications. The mineralized material will be trucked directly from the mine to one or more of these facilities where separate copper, lead and zinc concentrates will be produced by the toll facility, monitored by Lupaka staff. All capital and operating costs associated with the ROM treatment and tailings disposal will be the responsibility of the toll treatment facility, using a cost per tonne agreement.

Preliminary review of marketing terms for the Invicta Project's saleable concentrates has occurred and discussions with traders are ongoing. Concentrates will be trucked from the selected toll treatment facility to the port of Callao for sale or export.

Operating Cost Estimates (all amounts in US$)

The PEA estimates that the Invicta Project will produce approximately 187,000 Au-Eq. ounces over the initial 6-year mine plan. Mining and trucking costs are estimated based on third party contractor rates, processing charges are estimated based on discussions held with local toll processing facilities. General and administration is based on internal estimates, local labor rates, and from experience running operating the Invicta camp facility. Estimated project operating costs are tabulated in Table 10. Average cash costs and all-in costs for the project are tabulated in Table 11.

The Invicta Project does not have any royalties, although during the first quarter of 2019 the Company restructured a portion of current accounts payable and settlement liabilities into long-term notes, conditionally payable on achieving future production thresholds at Invicta.

Table 10: Operating Unit Costs

Unit Operating Costs		
Underground Mining and Development	$/tonne mined	$42.95
Trucking and Haulage	$/tonne mined	$50.20
Processing	$/tonne mined	$37.54
General & Administration	$/tonne mined	$12.66
Total	**$/tonne mined**	**$143.34**

Table 11: Cash Costs

Unit Cash Costs		
Operating Cost	Au-Eq oz	$508
All-in Sustaining Cost	Au-Eq oz	$575

Qualified Persons with respect to the PEA

A listing of the Qualified Persons for the PEA can be found on Page ii of the complete PEA, which in turn can be found at www.sedar.com under the Lupaka Gold Corp. profile (re: Technical Reports).

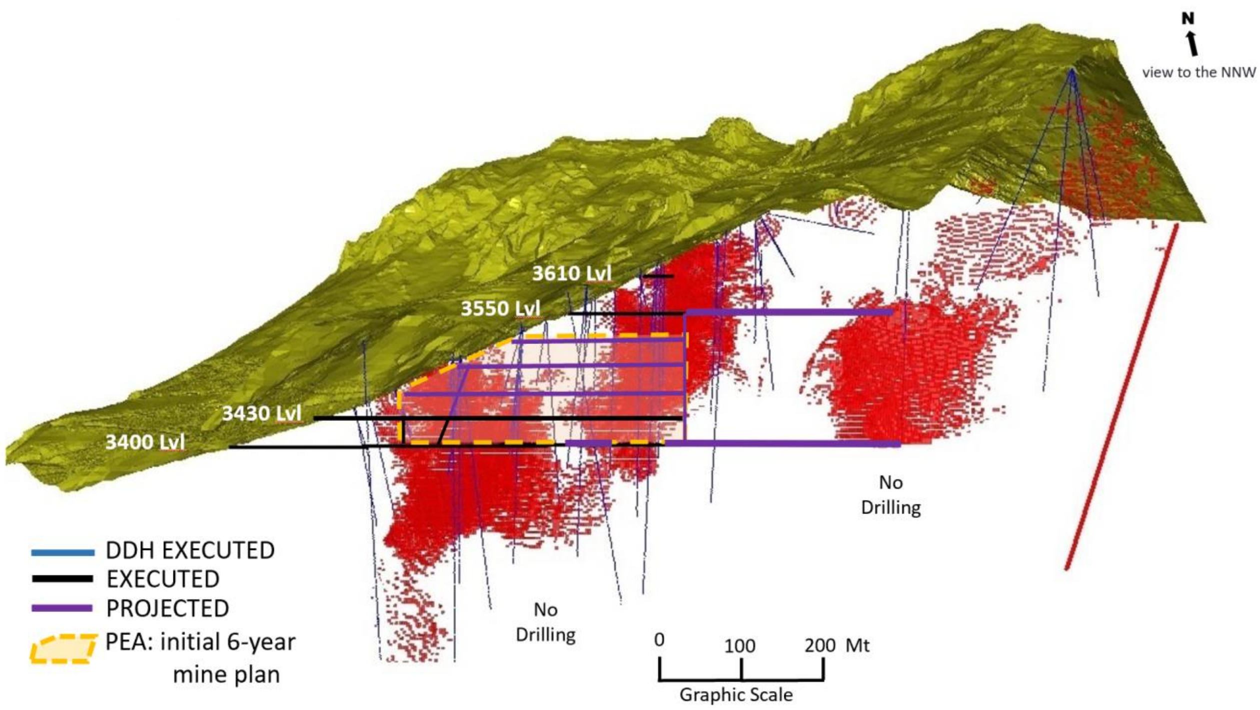
Invicta Production Plans

At present, access to the Invicta Project is being blockaded by the community of Paran, and as a result there are no mining, development, or monitoring activities currently being performed. The development of the mine for initial mineral extraction is approximately 90% complete. When the blockade is lifted the development will be completed subject to available financing and renegotiations with the Company's creditors. During 2018 the mineralized material extracted during the development and preparation of the mine was stockpiled on surface and approximately 7,700 tonnes (7,400 dry tonnes) was processed at three toll facilities, while the remaining material is available for processing when the Paran blockade is lifted.

Management believes that a feasible Invicta operation can be achieved by implementing a full contractor-based mining model, including contract mine development (including water management and treatment, safety bays, alternate escape ways, and ventilation circuit upgrades), contract mining, road maintenance and upgrades, contract transport and contract processing of Invicta's mineralized material, thereby eliminating significant equipment capital and related finance risk to the operation and the Company. The Company's target mining rate is 400 tpd.

Additionally, the planned mining operation will utilize the existing underground workings, camp facilities and roads constructed by previous owners at an internally estimated cost of ~US$15 Million. The underground workings directly access the high-grade Au polymetallic mineralized material contained in the resource estimate in the Atenea Vein (see Figure 2 below).

Figure 2: Invicta's Underground Workings Intersecting the Highest-Grade Areas in the Atenea Vein



Subject to the availability of financing, the Company's long-term strategy is to acquire, and/or build its own local processing facility that would be located closer in proximity to Invicta than are existing toll processors, to achieve reduced transport costs and improved concentrate production margins and profitability. Initial preliminary internally generated cost estimates for a Company-owned facility are estimated at US$10-15 Million.

Cautionary Note Regarding the Invicta Production Decision

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

Targeted Production

Production is planned to initially target some of the highest-grade gold and copper mineralization within the Atenea Vein, which contains the majority of the current Invicta gold resource. Based on internally generated geology and engineering estimates, management believes that mineralized material in the quantities and grades given in Table 12 below is readily accessible for extraction in the first 6 years of production from the mineralized resource estimates identified in the Invicta Technical Reports.

The Company has identified sufficient resources within the block model, which are accessible by the existing mine development tunnels, to justify proceeding with engineering, technical studies, permitting and mine development -- those resource blocks are summarized in Table 12 below.

Indicated resource mineralization will initially be targeted by the production plan. The mineral resources estimated in the Invicta Technical Reports are derived from block models.

Table 12 below shows blocks of mineralization identified by those block models as Indicated mineral resource that are immediately accessible from the existing tunnel and cross-cut work.

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

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

Table 12: Resource Block Model Mineralization Accessible from Existing Infrastructure

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

Vertical Raise Development Sampling Program and Results

A relief raise constructed in the mineral zone of the first production stope of approximately 30 m in height was developed from the 3400 Level up to the 3430 sublevel in preparation for blasting the initial mineral for production. Channel sampling was conducted across the vein strike at vertical intervals of approximately 2.0 m throughout the entire height of the relief raise, and each sample was approximately 1.2 m in width. The results of the sampling illustrate the continuity of the mineralization and grades of the vein between the two levels. The commencement of the relief raise on the 3400 Level was located in line with channel 23 from the 3400 Level channel sample results (as reported on March 15, 2018) which returned grades of 18.10 g/t Au-Eq over a width of 12.00 m.

The polymetallic mineralization within the Atenea vein is hosted by structurally defined components which were mapped and sampled. Summarized assay sample results are tabulated and presented in Table 13 below.

Table 13: Average Sampling Results from Vertical Raise Between 3400 and 3430 Sublevel

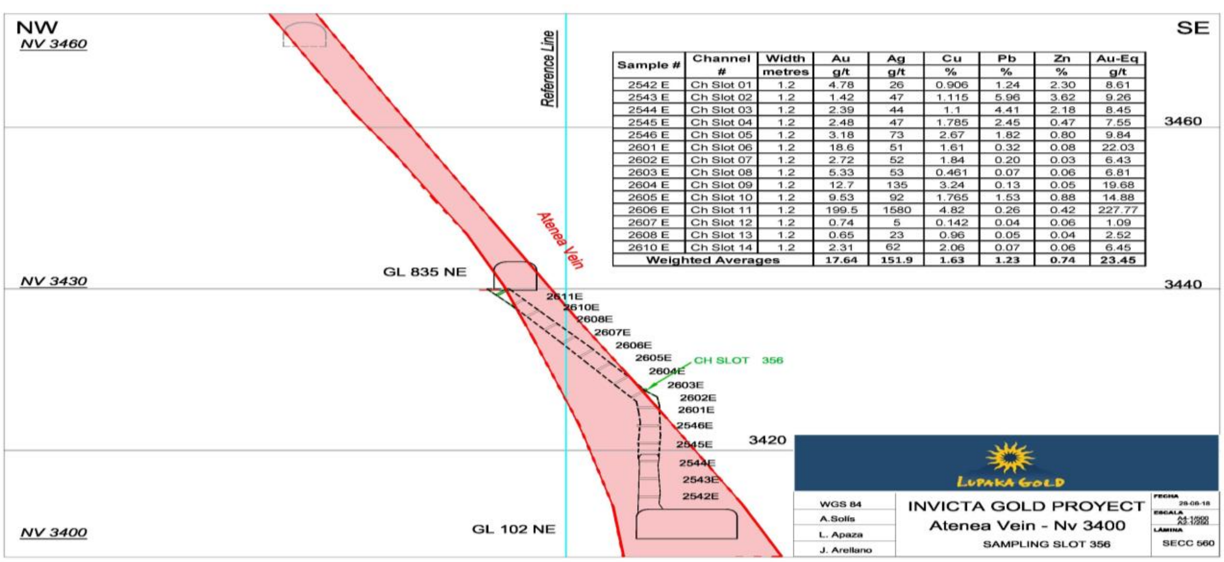
Raise Sampling	Length Metres	Width Metres	Au g/t	Ag g/t	Cu %	Pb %	Zn %	Au-Eq. g/t
Atenea Vein	30.0	1.2	17.64	152	1.63	1.23	0.74	**23.45**

Summary results obtained from 15 samples taken from the relief raise which runs approximately 30 vertical metres from the top of the 3400 Level up to the base of the 3430 sublevel, over spacing of approximately every 2.0 m alternating between the NE and SW walls. Samples are tabulated in Table 14.

Table 14: Summary Assays from Vertical Raise Sampling between the 3400 Level and 3430 Sublevel

Sample #	Width Metres	Au g/t	Ag g/t	Cu %	Pb %	Zn %	Au-Eq. g/t
2542 E	1.2	4.78	26	0.91	1.24	2.30	8.61
2543 E	1.2	1.42	47	1.12	5.96	3.62	9.26
2544 E	1.2	2.39	44	1.10	4.41	2.18	8.45
2545 E	1.2	2.48	47	1.79	2.45	0.47	7.55
2546 E	1.2	3.18	73	2.67	1.82	0.80	9.84
2601 E	**1.2**	**18.60**	**51**	**1.61**	**0.32**	**0.08**	**22.03**
2602 E	1.2	2.72	52	1.84	0.20	0.03	6.43
2603 E	1.2	5.33	53	0.46	0.07	0.06	6.81
2604 E	**1.2**	**12.70**	**135**	**3.24**	**0.13**	**0.05**	**19.68**
2605 E	1.2	9.53	92	1.77	1.53	0.88	14.88
2606 E	**1.2**	**199.50**	**1580**	**4.82**	**0.26**	**0.42**	**227.77**
2607 E	1.2	0.74	5	0.14	0.04	0.06	1.09
2608 E	1.2	0.65	23	0.96	0.05	0.04	2.52
2610 E	1.2	2.31	62	2.06	0.07	0.06	6.45
2611 E	1.3	0.05	2	0.12	0.04	0.09	0.34
Weighted Average		**17.64**	**152**	**1.63**	**1.23**	**0.74**	**23.45**

A detailed sampling map is provided below:



3430 Sublevel Sampling Program and Results

Development on the 3430 crosscut and sublevel was initiated in preparation for the first block of mining production (located between the 3400 Level and the 3430 sublevel), scheduled to commence in 2019. Subsequent to cross-cutting the Atenea vein, lateral development preceded from the southwest to the northeast over approximately 235 m, including the creation of four additional short cross-cuts to measure the width of the vein, ending in mineralization on the eastern face. The 3430 sublevel development also demonstrated the vertical and horizontal continuity of the Atenea vein and substantiated the grades of the current Mineral Resource block model, as well as the mineralization contained on the 3400 Level, located 30 m below.

Consistent with the comprehensive sampling program undertaken on the 3400 Level, underground channel sampling was systematically performed on the 3430 sublevel over the width of the development (3.5 m high by 3.0 m wide) at intervals of approximately every 5 m (consistent with the size of the Mineral Resource block model), as well as over the five cross-cuts.

The polymetallic mineralization within the Atenea vein is hosted by structurally defined components which were mapped and sampled. Summarized assay sample results are tabulated and presented in Table 15.

Table 15: Average Sampling Results from 3430 Sublevel Atenea Vein Sampling Program

3430 Sublevel	Length Metres	Width Metres	Au g/t	Ag g/t	Cu %	Pb %	Zn %	Au-Eq. g/t
SW Major Interval	170.0	4.24	3.97	56.86	1.55	1.16	1.07	**8.44**
NE Interval	65.0	3.50	5.35	59.50	1.55	1.83	1.82	**10.69**
Total	**235.0**	**3.87**	**4.35**	**57.59**	**1.55**	**1.34**	**1.28**	**9.06**

Overall, the sample results were found to be consistent with sample results from the 3400 Level located 30 m below. Importantly, the geological mapping on the 3430 sublevel showed that the hanging wall split vein, as seen on the 3400 Level, has merged with the footwall zone. The continuation of the hanging wall split and the footwall zone through the 3430 sublevel was assumed in the Mineral Resource model and in the PEA conceptual mine plan. The merger of these zones could potentially result in more efficient mining and lower dilution upon extraction of the mineralized material (due to the absence of non-mineralized material in between the two zones). Also, as anticipated, a low-grade mineralized zone was intersected, which is designed as a pillar in the mine plan, however the length of the low-grade section is only 35 m compared to an estimate of 44 m.

Although the average sampled width of the Atenea vein on the 3430 sublevel was 3.9 m, compared to approximately 6.0 m on the 3400 Level, sampling on the 3430 sublevel was restricted by smaller development headings (3.5 m high x 3.5 m wide), as well as fewer cross-cuts (5) compared with the 3400 Level (7). Geological mapping and sampling over the 5 cross-cuts on the 3430 sublevel demonstrates an estimated horizontal width of the Atenea vein ranging from 4 m up to 12 m. It is anticipated that the average horizontal width on 3430 sublevel will be in-line, or possibly exceed, the average conceptual mining width of 8.0 m, as estimated in the PEA conceptual mine plan.

3400 Level Sampling Program and Results

To better appreciate the grade continuity within mineralized veins at Invicta and confirm the grades within the current Invicta mineral resource model, the Company performed a comprehensive underground channel sampling program over the entire western section of the Atenea vein on the 3400 Level, using a 5 m sample spacing interval.

The 2018 program, designed to augment previous sampling work performed in 2014, commenced at the 2SW cross cut (on the western side). Channel sampling was performed across each wall (west and east) as well as over the roof on the same plane. Further channel sampling was performed systematically every additional 5 m, similar to the mineral resource block model size, and over both walls within the six-additional cross-cuts (seven in total) ending on the eastern wall of the Level.

Polymetallic mineralization within the Atenea Vein on 3400 Level is hosted by structurally-defined footwall and hanging wall components that were mapped and sampled separately. Summarized assay sampling results are tabulated in Table 16 below:

Table 16: Average Sampling Results from 3400 Level Atenea Vein Sampling Program

Atenea Vein	Length Metres	Width Metres	Au g/t	Ag g/t	Cu %	Pb %	Zn %	Au-Eq. g/t
Footwall Vein	200.0	4.88	4.77	62.16	1.43	1.13	0.94	**9.04**
Hanging Wall Vein Split	70.0	5.98	2.74	62.18	1.33	1.52	0.86	**7.00**

Quality Control and Assurance

The analyses for the 3400 Level and 3430 Sublevel sampling campaign were carried out by ALS, an accredited laboratory, in Lima, Peru, exercising a thorough Quality Assurance and Control program (QA/QC). As part of QA/QC protocol, duplicates, standards and blanks were inserted into the sample processing stream. The sample locations were mapped, surveyed and photographed for reference. Individual sample channels vary between 0.2 to 2.5 m wide. Samples were bagged, sealed and delivered to the ALS sample preparation facility in Lima, Peru. Gold was assayed by a 50-gram fire assay and re-assayed for the overlimits, with an AAS finish. All ALS labs are ISO 9000 registered.

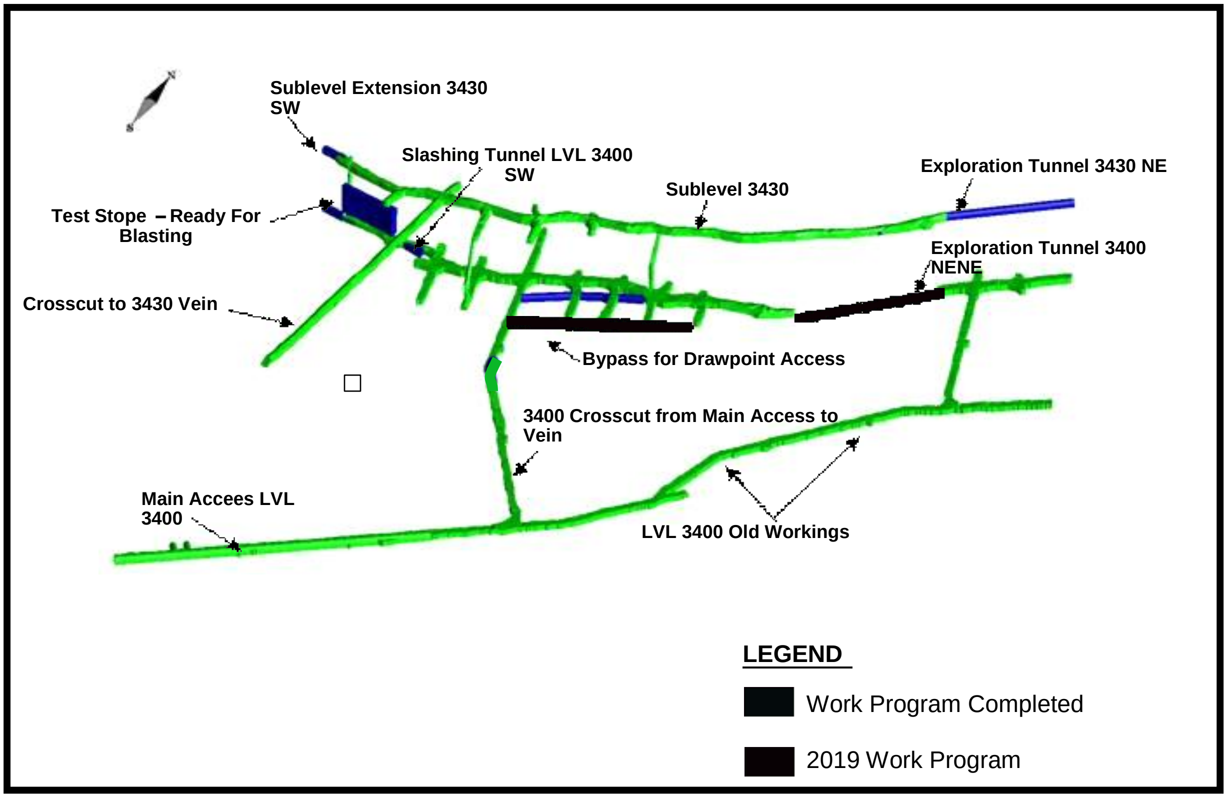
Management believes that the above-noted program confirms that the mineralization exposed in the existing workings is consistent with the Company's understanding of the mineralization that is being initially targeted in the Invicta production plans.

Mine Development Update

As of the MD&A Date, development and rehabilitation work at Invicta is substantially complete. With the advancement of Invicta's development to-date, the Company has filed to obtain the final mining exploitation license, which requires an inspection by the Ministry of Mines and Energy. Originally scheduled for October 2018, the inspection by the Ministry of Mines and Energy was unable to be attended as scheduled due to the illegal Paran Blockade of the Invicta mine site. Upon successful receipt of the mining exploitation licence, the Company will have the authority to operate Invicta at rate of 400 tonnes per day of mineralized material, or approximately 12,000 tonnes per month.

As illustrated in Figure 3 below, two vertical material transport raises and the positively inclined internal ramps contemplated in the PEA have been eliminated, resulting in a cost reduction of approximately US$500,000, through the use of the existing and future drawpoints at the 3400 Level the construction of crosscuts beginning at surface to access the vein at higher elevations, and develop additional sublevels at spacings of 15 – 30 metres.

Figure 3 – Invicta Development and Mining Schedule



The 3400 Level will be the main haulage level for transporting mineralized material from the production stopes to the processing plants. To allow direct transportation of the mineral with 30 tonne haul trucks to the process plant, the dimensions of 180 m of the 3400 Level main tunnel was slashed to increase the dimensions of the tunnel from 3.5 m wide x 3.0 m high to 4.5 m wide x 4.0 m high. Small chambers will be constructed underground to store mineralized material to ensure a continuous flow of material from the mine to the designated toll-milling plant or plants.

Mineralized material will be loaded into the trucks from the underground loadout station on the 3400 Level and hauled directly to the toll-milling plant, thereby eliminating the need and costs to permit, construct and operate a reloading platform located 26 km from the mine. Furthermore, increasing the dimensions and haulage capacity of the 3400 Level would allow the Company to easily increase the mine's output in the future years above the current production plan of 350 tpd.

Mine Development and Production Outlook

Subject to resolution of the illegal Paran Blockade, and subject to obtaining sufficient capital, during 2019 the Company expects to:

- Complete the development of the test stope in the SW portion of the 3400 Level
- Install an additional 120 m of vent raises as development of the sublevels progresses
- Develop an additional 150 m of relief slots in the sublevels for the blasting of mineralized material
- Increase the dimensions and install ground support of the 3400 crosscut from the 3400 main access to the Atenea vein from 3.5m wide x 3.0m high to 4.5m wide x 3.0m high to allow higher capacity vehicles to travel to the loading area on the 3400 level.
- Complete construction of the bypass and drawpoints at the pilot stope to commence mining.
- Continue development of the NE 3400 Level to the end of the mineralized zone, as shown by the block model
- Continue development of the 3430 sublevel to the end of the mineralized zone, as per the block model
- Install bypasses, drawpoints, and prepare mining stopes for the 3400 Level and 3430 sublevels

Road Construction Progress

As of the MD&A Date, upgrades to the 28 km main access road running from the paved highway at Picunche to the Invicta Project are complete. The work included widening the road from four meters to approximately six meters, construction of four by-passes to circumvent communities and difficult portions of the road where numerous switchbacks occurred, the development of borrow pits to obtain road surfacing materials, improving the road surface to allow 30 to 45 tonne haulage trucks and heavy machinery to travel, and the installation of berms and drainage ditches. Along with the reduction of traffic within the communities and increasing the efficiency of hauling, one of the main and most important benefits of these improvements was to enhance safety conditions for transporting mineralized material and people. During Q1 2019 the rainy season impacted certain portions of the road, which required some maintenance in order for haulage trucks and heavy machinery to travel. As of the MD&A date this maintenance has been completed.

Bulk Sample Testing

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

Bulk Sample 1

In October 2015, the Company announced the results obtained from the processing of its first run-of-mine bulk sample comprised of 342 tonnes of Invicta mineralized material, achieving total recoveries in the three concentrates produced of 83.6% for Gold and 95.5% for Copper. The processing test was run at a Peruvian toll mill in Huari under the supervision of Certimin S.A., the Company's metallurgical consultant, with the following results being achieved:

Copper/gold, lead/silver and zinc concentrate streams were produced over 6 days of processing, with concentrate tonnes and average grades per tonne achieved as shown below in Table 17.

Table 17: Concentrate Tonnes and Grades Per Tonne 342 tonne average over six days

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

The overall average percentage recoveries for each of the three concentrate streams produced are shown below in Table 18.

Table 18: Distribution of Metal Recovery (%)

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

Quality Control and Assurance

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

Bulk Sample 2

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

A single bulk copper concentrate was produced with concentrate tonnes and grades per tonne achieved as shown below in Table 19.

Table 19: Concentrate tonnes and grades per tonne from the 532t bulk sample

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

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

Overall average percentage recovery for each target metal in the concentrate are shown below in Table 20.

Table 20: Distribution of Metal – Recovery of Metal in Concentrate Streams

Concentrate Stream	Au	Ag	Cu	Pb	Zn
			%		
Cu, Pb, Zn Bulk Concentrate	87.52	91.18	91.52	90.03	90.13

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

2018 Mineralized Development Material

As of the MD&A Date, approximately 13,500 tonnes of mineralized development material has been extracted from the 3400 Level, the 3430 sublevel, and the relief raise, stockpiled on surface and systematically sampled returning an average grade of 5.49 g/t Au-Eq*. Approximately 7,700 tonnes (7,400 dry tonnes) of this material has been transported to three tolling facilities for testing, comprising 4,000 tonnes to the Coriland plant, 1,500 tonnes to the Huari plant, and 2,200 tonnes to the Huancapeti plant located some 170 kilometres, 365 kilometres, and 340 kilometres from Invicta, respectively. This material has been processed and the recovery results are as shown below in tables 21 and 22.

Table 21: Distribution of Metal Recovery (%)

Concentrate Stream	Tonnes Con Prod	Au g/t	Ag g/t	Cu %	Pb %	Zn %
Copper (Cu)	273.8	25.3	478.3	20.2	11.3	10.9
Lead (Pb)	80.9	47.3	820.8	9.0	65.0	2.9
Zinc (Zn)	122.6	14.6	290.5	10.0	5.5	31.0

Table 22: Distribution of Metal Recovery (%)

Concentrate Stream	Au	Ag	Cu	Pb	Zn
Copper	41.4	40.9	62.5	36.0	42.6
Lead	22.8	20.7	11.4	37.9	5.6
Zinc	10.7	11.1	11.5	11.2	38.2
Total	74.9%	72.7%	85.3%	85.1%	86.4%
PEA Metal Recovery assumptions (see Table 4)	87.9%	79.6%	84.1%	82.6%	82.7%

Results from the processing of the 2018 Mineralized Development Material confirm the ability to produce three distinct concentrates from Invicta mineralized material, however the Company cautions that these results are not representative of a controlled long-term production profile due to the following reasons: 1) The initial processing of approximately 900 tonnes at the Coriland plant resulted in the production of a single bulk concentrate as the process was adjusted to achieve concentrate separation. This bulk concentrate is reported as copper concentrate in Table 21 above. 2) The small amounts in each batch processing campaign did not provide the ability to configure the process to optimize recoveries of all metals, the plants were configured to optimize base metal recoveries, in particular zinc and lead. 3) The development material processed had a grade of 5.90 g/t Au-Eq** which is lower than the average grade of the PEA Mine Plan - head grade is directly correlated with the expected recoveries and therefore lower grade would be expected to result in lower recovery %. 4) In two of the campaigns excess cyanide was used by the toll mill operators which caused a significant loss in precious metal recoveries to tailings - typically base metal recoveries and precious metal recoveries will be behave in a consistent manner. The Company continues to believe it can meet or exceed the metal recovery assumptions used in the PEA.

**Au-Eq. calculations are based on US$1250 for gold (“Au”), US$17.00 for silver (“Ag”), US$3.00 for copper (“Cu”), US$1.25 for zinc (“Zn”), and US$1.05 for lead (“Pb”), with assumed metallurgical recoveries of 85% for Au, 80% for Ag, 82% for Cu and Pb, and 77% for Zn. Individual grades were 2.76 g/t Au, 44.12 g/t Ag, 1.17% Cu, 1.13% Pb, and 1.04% Zn*

***Au-Eq. calculation based on US$1250 for gold (“Au”), US$17.00 for silver (“Ag”), US$3.00 for copper (“Cu”), US$1.25 for zinc (“Zn”), and US$1.05 for lead (“Pb”), with assumed metallurgical recoveries of 85% for Au, 80% for Ag, 82% for Cu and Pb, and 77% for Zn. Individual grades were 2.76 g/t Au, 44.12 g/t Ag, 1.17% Cu, 1.13% Pb, and 1.04% Zn. Individual head grades were 2.3 g/t Au, 43.1 g/t Ag, 1.1% Cu, 1.1% Pb, and 1.1% Zn.*

Technical Advisors

The Company engaged Certimin S.A. to perform metallurgical assessments and supervise the 2015 Bulk Sample processing of mineralized material from the Invicta Project.

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

Permitting

The Company utilized a number of previously issued permits and technical reports for the Invicta Project, re: the existing Invicta Environment Impact Assessment (“EIA”) approved by the Ministry of Energy and Mines in 2009 and amended in 2012; a Closure Plan for AAG’s previously proposed 5,100 t/d of mineralized material mine plan which was approved by the MEM in January 2012 and which is presently being amended; agreements with the community of Lacsanga and Santo Domingo de Apache (the communities that own the surface rights for the concessions on which the Invicta mineral resource estimate is located), as well as information from a number of technical studies completed by previous owners, including: metallurgy; material mechanics; structural geology on the mine area; hydrology; hydrogeology; power line access from Andahuasi; and other engineering analyses.

In addition, the Company has received approval of its Mining Development and Preparation Plan, a Certificate of Mining, the explosives permit for the development and preparation of the mine, and amended Invicta EIA and Closure Plans, as well as a production phase agreement from the community of Lacsanga, all of which allows the Company to complete the necessary development work to put the Invicta Project into production. The Certificate of Mining and explosives permit require annual renewal, but the Company will not be applying for renewal until access to Invicta is restored. With the advancement of Invicta’s development to-date, the Company has filed to obtain the final mining exploitation license, which requires an inspection by the Ministry of Mines and Energy. The inspection, previously scheduled for October 2018, was delayed as a result of the illegal road blockade. The inspection will be rescheduled when access to Invicta is restored and upon successful receipt of the exploitation license, the Company will have the authority to produce mineralized material at a rate of 400 tonnes per day or approximately 12,000 tonnes per month.

Community Relations and Social Responsibility

Invicta staff continue to work diligently with the communities that are directly and indirectly affected by the Invicta Project. The two directly-affected communities consist of Lacsanga and Santo Domingo de Apache, and Paran (which is indirectly-affected), all of which primarily consist of subsistence farmers that mainly cultivate fruit along the local Andean slopes, located approximately 2 – 20 km from the Invicta Project.

To date, the Company has signed a 20-year agreement with the community of Santo Domingo de Apache (in October 2010), on whose land certain portions of the Invicta resource is located, as well as a 10-year, renewable agreement with the community of Lacsanga (in November 2017) covering mine access, water access, and access road construction and upgrades, pursuant to which certain payments were made.

The community of Paran erected an illegal road blockade in October 2018 blocking the Company's access to the Invicta Project. The villages within the Paran community are located approximately 14 kilometers from the Project. The Company continues to work with the community and with the authorities to resolve the Paran blockade.

Health and Safety

The Company has placed a high priority on its performance with respect to health and safety at Invicta. The Company's safety performance remained strong during the three months ended June 30, 2019, with no lost time or medical aid accidents.

Concessions – Invicta

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

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

During 2016, the Company decided to forego maintaining 40 concessions obtained under the aforementioned staking program, due to their very low exploration potential. Consequently, since December 31, 2017, only the annual concession fees for the 5 Victoria concessions and the Invicta II concession have been paid and are current (Note, the Invicta mineralized resource estimate is located on the Victoria Uno concession). Additionally, the Victoria concessions are the only Invicta concessions for which the Company has recorded any carrying value. See the Company's AIF for a complete and detailed listing of the 46 concessions acquired as a result of the AAG acquisition.

After the acquisition of Invicta by the Company in October 2012, costs associated with Invicta were expensed as exploration expenditures up to and including July 2017.

Beginning in August 2017, such expenditures were capitalized to mineral property under development as management determined that with the receipt of Tranche 1 of the PLI Financing, the project was able to proceed to construction and pre-production. As a result, Invicta transitioned from an exploration property under IFRS 6 to mineral properties, plant and equipment under IAS 16. At the time of the transition from exploration to mineral property under development, the Company completed an impairment test as required by IFRS 6. The impairment test compared the carrying amount of Invicta to its recoverable amount, which is the higher of the fair value less costs of disposal and value in use. Upon completion of the impairment test, the Company concluded there was no impairment.

Additionally, the Company completed a PEA in February 2018 showing a positive net present value for the project.

The components of the Invicta mineral property under development costs are as follows:

In thousands of dollars	**Acquisition Costs** $	**Concession Fees** $	**Infra-structure** $	**Community** $	**Project Admin** $	**Total** $
Cost						
Balance, December 31, 2018	12,802	211	6,315	1,567	1,254	22,149
Additions	–	16	45	4	668	733
Foreign exchange	(578)	(8)	(257)	(64)	(43)	(950)
Balance, June 30, 2019	12,224	219	6,103	1,507	1,879	21,932

Proceeds received for concentrate produced prior to the commencement of commercial production have been deducted from mineral property under development.

CRUCERO GOLD PROJECT

On November 20, 2017, the Company closed (the "Closing") a definitive sales and purchase agreement (the "SPA") to sell all of its interests in Crucero to GoldMining Inc. ("GoldMining").

Pursuant to the SPA, GoldMining acquired all of the shares of a wholly-owned, numbered subsidiary of the Company, created specifically to hold only the Company's Crucero assets, for $750,000 in cash and 3,500,000 common shares of GoldMining (TSXV: "GOLD"), for total consideration having a fair market value of $5,720,000 as of the Closing. The GOLD shares issued under the transaction were subject to certain volume-sale restrictions. An advisory fee of $184,000 was incurred by the Company in connection with Crucero sale transaction and is included in General and Administration (corporate development) expenses.

The aggregate consideration received from GoldMining of $5,720,000 was credited to exploration and evaluation assets as a disposition of a mineral property.

The SPA transaction with GoldMining resulted in the Company recognizing a loss of $11,037,000 in 2017 on the disposition of all of its interests in Crucero, calculated as follows:

In thousands of dollars	**$**
Consideration from GoldMining	
Common shares of GoldMining	4,970
Cash	750
Total consideration	5,720
Crucero, carried cost	(16,757)
Loss on disposal of subsidiary	11,037

JOSNITORO GOLD PROJECT

Effective March 31, 2014, the Company entered into a definitive option agreement with Hochschild Mining plc ("Hochschild") to earn a 65% interest on Josnitoro (the "Hochschild Option") in Southern Peru. Josnitoro is an exploration stage gold and copper project in the Department of Apurimac which is comprised of 19 concessions.

The Hochschild Option required the Company to obtain a community agreement for exploration by March 2018. Lupaka was unable to obtain a community agreement and requests for an extension with Hochschild were unsuccessful, resulting in the termination of the Hochschild Option in 2018.

The carrying value for Josnitoro, for which no consideration has been paid, as at June 30, 2019 and December 31, 2018 was $Nil.

SELECTED FINANCIAL INFORMATION

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

In thousands of Canadian Dollars, except for per share amounts

Three months ended	**Q2-19**	**Q1-19**	**Q4-18**	**Q3-18**	**Q2-18**	**Q1-18**	**Q4-17**	**Q3-17**
Exploration expenses	Nil	Nil	7	1	14	(223)	298	510
Impairment of mineral property	Nil	Nil	Nil	Nil	Nil	Nil	(11,037)	11,037
Loss on sale of mineral property	Nil	Nil	Nil	Nil	Nil	Nil	11,037	Nil
General and administrative expenses	250	213	396	362	319	334	452	156
Financing expenses	162	160	185	181	400	288	639	343
Loss (gain) on metals derivative liability	(1,015)	731	(537)	(1,113)	(882)	(38)	218	Nil
Interest income	(1)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Loss on sale of marketable securities	Nil	Nil	Nil	Nil	Nil	Nil	81	Nil
Gain on sale of equipment	Nil	Nil	Nil	Nil	(9)	Nil	Nil	Nil
Loss (earnings) for the quarter	(604)	1,104	51	(569)	(158)	361	1,688	12,046
Loss (earnings) per share, basic	($0.00)	$0.01	$0.00	($0.00)	($0.00)	$0.01	$0.01	$0.10
Loss (earnings) per share, diluted	($0.00)	N/A	N/A	($0.00)	($0.00)	N/A	N/A	N/A

As the Company has not had any revenue-generating mineral properties or other sources of mining revenue to date, no mining revenues are reflected in the above tables.

Factors that have caused notable fluctuations in the Company's quarterly results include: gains on the metals derivative liability related to the PLI Financing Agreement from Q1-18 to Q4-18 and in Q2-19 and losses on the metals derivative liability in Q4-17 and Q1-19, a loss on the sale of marketable securities during the Q4-17 period, loss on the sale of Crucero for Q4-17, share-based compensation costs ("SBC") incurred due to share price variations across all quarters, accretion and interest expenses related to the Bridge Loans for Q3-16 through to Q1-19, financing expenses related to the PLI Financing Agreement from Q4-17 onward, and foreign exchange gains or losses related to US Dollar-denominated monetary assets and liabilities when the Canadian Dollar exchange rate significantly fluctuates across all quarters.

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

The Company operates in one segment, being mineral exploration and development, and all of its mineral properties are located in Peru, South America. The consolidated statements of loss, comprehensive loss and deficit for the periods presented reflect both the Company's Canadian and Peruvian operations. Until August 2017, all of the Company's operating costs in Peru were expensed, in accordance with the Company's related accounting policy. In accordance with the Company's accounting policies, the Company capitalizes its development costs on a project once it has reached a development decision on that project, as it has for the Invicta Project as of August 2017.

Financial results for the three and six-month periods ended June 30, 2019 and 2018 are summarized as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019 (\$000's)	**2018 (\$000's)**	**2019 (\$000's)**	**2018 (\$000's)**
Operating expenses				
Exploration and development	–	14	–	(209)
General and administration	250	319	463	653
Operating loss	250	333	463	444
Financing expenses	162	400	322	688
Gain on metals derivative liability	(1,015)	(882)	(284)	(920)
Interest income	(1)	–	(1)	–
Loss on sale of marketable securities	–	437	–	830
Gain on sale of equipment	–	(9)	–	(9)
Loss (earnings) for the period	(604)	279	500	1,033
Loss (earnings) per share – Basic and diluted	(\$0.00)	\$0.00	\$0.00	\$0.01

Three months ended June 30, 2019

Compared to the three months ended June 30, 2018, notable expense variances were as follows:

Exploration and development expenses

The low expenditures for exploration and development expenses in Q2/18 was due to the termination of the Hochschild Option on the Josnitoro Project in early 2018.

General and administration expenses

All such expenses, except as noted below, relate to the Canadian operations of Lupaka Gold and totalled $250,000 for the three months ended June 30, 2019 compared to $319,000 for the three months ended June 30, 2018, with the decrease of $69,000 being the result of:

- Professional and regulatory fees totalling $17,000 for the second quarter of 2019 compared with $50,000 for the second quarter of 2018, a decrease of $33,000;
- Shareholder and investor relations expenses totalling $13,000 for the second quarter of 2019 compared to $33,000 for the second quarter of 2018, a decrease of $20,000 reflecting decreased investor relations activities;
- Office and general expenses totaled $15,000 for the second quarter of 2019 compared to $33,000 for the second quarter of 2018, a decrease of $18,000 due to the Company no longer renting office space in Vancouver; and
- A decrease in travel costs of $10,000; offset by
- Salaries and benefits totalling $202,000 for the second quarter of 2019 compared to $190,000 for the second quarter of 2018, a net increase of $12,000, attributed to accrued employee termination costs of $81,000, higher salary costs of $16,000, $45,000 executive search costs incurred in the second quarter of 2018 that were not incurred in the second quarter of 2019 and $40,000 in lower non-cash SBC expense compared to the second quarter of 2018.

Financing expenses

$Nil ($300,000 – three months ended June 30, 2018) in loan accretion relating to the Company's bridge loans and $Nil ($27,000 – three months ended June 30, 2018) in interest expense related to the bridge loans were incurred in the three months ended June 30, 2019.

A gain on metals derivative liability of $1,015,000 and financing expenses of $169,000 relating to the PLI Financing Agreement were recorded for the three months ended June 30, 2019 compared to a gain on metals derivative liability of $882,000 and financing expenses of $134,000 for the same period of 2018.

A foreign exchange gain of $7,000 occurred in the three months ended June 30, 2019 compared to $61,000 in the same period of 2018.

Six months ended June 30, 2019
Compared to the six months ended June 30, 2018, notable expense variances were as follows:

Exploration and development expenses
As a result of the termination of the Hochschild Option in early 2018, the Company no longer needed to pay for the Josnitoro Project concession costs. Consequently, $255,000 in previously accrued camp-related (concession) costs were reversed in the six months ended June 30, 2018.

General and administration expenses
All such expenses, except as noted below, relate to the Canadian operations of Lupaka Gold and totalled $463,000 for the six months ended June 30, 2019 compared to $653,000 for the six months ended June 30, 2018, with the decrease of $190,000 being the result of:

- Salaries and benefits totalling $343,000 for the first half of 2019 compared to $408,000 for the first half of 2018, a net decrease of $65,000, attributed to lower salary costs in 2019 of $46,000, executive search costs of $45,000 incurred in the first six months of 2018 that were not incurred in the first half of 2019 and $44,000 in lower non-cash SBC expense compared to the first half of 2018, offset by $70,000 in employee termination costs.
- Shareholder and investor relations expenses totalling $34,000 for the first half of 2019 compared to $80,000 for the first half of 2018, a decrease of $46,000 reflecting decreased investor relations activities;
- Professional and regulatory fees totalling $45,000 for the first half of 2019, compared to $78,000 for the first half of 2018, a decrease of $33,000;
- Office and general expenses totaled $36,000 for the first half of 2019 compared to $65,000 for the first half of 2018, a decrease of $29,000 due to the Company no longer renting office space in Vancouver; and
- A decrease in travel costs of $17,000.

Financing expenses
Loan accretion expenses relating to the Company's bridge loans of $1,000 ($319,000 – six months ended June 30, 2018) and $8 ($64,000 – six months ended June 30, 2018) in interest expense related to the bridge loans were incurred in the six months ended June 30, 2019.
A gain on the metals derivative liability of $284,000 and financing expenses of $169,000 relating to the PLI Financing Agreement were recorded for the six months ended June 30, 2019 compared to a gain on metals derivative liability of $920,000 and financing expenses of $490,000 (including the fair value of $19,000 for Agent's Warrants for Tranche 3) relating to the PLI Financing Agreement for the same period of 2018.

A foreign exchange gain of $15,000 occurred in the six months ended June 30, 2019 compared to $185,000 in the same period of 2018.

During the six months ended June 30, 2018, the Company sold its remaining GOLD shares, realizing a total loss of $830,000 for the six months ended June 30, 2018 on its GOLD shareholdings.

Share-based compensation expenses
Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate. Non-cash share-based compensation costs of $125,000 have been recorded for the six months ended June 30, 2019 (2018 – $246,000), and allocated as follows:

	Three months ended June 30		**Six months ended June 30**	
In thousands of dollars	**2019**	**2018**	**2019**	**2018**
Salaries and benefits	36	76	85	129
Shareholder and investor relations	3	5	7	12
Development costs (capitalized)				
Project Administration	13	35	30	89
Community	1	7	3	16
Total share-based compensation	53	123	125	246

LIQUIDITY AND CAPITAL RESOURCES

In thousands of dollars	**June 30, 2019**	**December 31, 2018**
Cash and cash equivalents	240	233
Working capital (defined as current assets less current liabilities)	(8,147)	(9,371)
Total assets	23,400	23,679
Total liabilities	9,642	10,544
Shareholders' equity	13,758	13,135

The principal changes in the Company's cash during the six months ended June 30, 2019 and 2018 were as follows:

- Net cash used in operating activities in the six months ended June 30, 2019 was $196,000 ($1,151,000 from operating activities – 2018), which was a product of the Company's loss for the six months of $500,000 ($1,033,000 – 2018) and the following adjustments for items not affecting cash: loan accretion of $1,000 ($319,000 – 2018), share-based compensation expense of $91,000 ($141,000 – 2018); finance expense on the PLI financing of $328,000 ($490,000 – 2018); and a gain on metals derivative liability of $284,000 ($920,000 – 2018); offset by: an unrealized foreign exchange gain of $15,000 ($185,000 – 2018); and a $183,000 net increase in non-cash working capital (net decrease of $793,000 – 2018).
- Net cash used in investing activities in the six months ended June 30, 2019 totalled $427,000 ($1,568,000 – 2018), which was the result of capitalized mineral property development cost expenditures at Invicta. In the first half of 2018, $4,774,000 was used for mineral property costs at Invicta, $193,000 was used for purchases of equipment ($Nil – 2019) and $3,399,000 in proceeds ($Nil – 2019) was received from the sale of marketable securities. All Invicta-related costs have been capitalized after July 2017.
- Net cash from financing activities in the six months ended June 30, 2019 totalled $636,000, which resulted from the Company's March 2019 $665,000 non-brokered private placement less $19,000 in finders fees and $10,000 in share issue costs. In the six months ended June 30, 2018, the Company received proceeds from Tranche 3 of the PLI Financing of $3,153,000, $388,000 from the exercises of share purchase warrants and $32,000 from the exercises of options and repaid $360,000 in bridge loan principal.

Current liabilities at June 30, 2019 totalled $8,537,000 ($9,786,000 – December 31, 2018), and were comprised of: the current portion of accounts payable and accrued liabilities primarily related to the development of Invicta of $2,183,000 ($2,404,000 – December 31, 2018); the metals derivative liability of $3,001,000 and deferred revenue of $3,253,000 from the PLI Financing Agreement (current portions were $3,413,000 and $3,056,000 respectively – December 31, 2018); and amounts due to related parties totalling $57,000 ($62,000 – December 31, 2018), and a settlement liability of $43,000 ($312,000 – December 31, 2018) for severance payments to a former CEO and a former employee of the Company. In the first quarter of 2019, $171,000 of accounts payable and $225,000 of the settlement liability outstanding as at December 31, 2018 were restructured and reclassified as long-term liabilities as at March 31, 2019. In March 2019, the Company also extinguished bridge loan liabilities of $450,000 for BL 3 and $90,000 for BL 2 as part of the Company's SFD transaction.

The Company's long-term liabilities at June 30, 2019 consisted of the discounted provision for reclamation and closure cost obligations of $755,000 ($758,000 – December 31, 2018), as well as $146,000 of the long-term portion of accounts payable and accrued liabilities and $204,000 of a settlement liability (both were $Nil at December 31, 2018).

PLI Financing Agreement

The gross proceeds received under the PLI Financing Agreement was US$7 Million, payable in three tranches of US$2.5 Million ("Tranche 1", received in August 2017), US$2.0 Million ("Tranche 2", received in November 2017) and US$2,500,000 ("Tranche 3", received in February 2018).

Concurrent with the receipt of Tranche 1, one-time upfront fees of US$900,000 were paid to PLI. These fees were netted pro-rata against all three Tranches within Deferred Revenue.

Additionally, pursuant to finder's fee and advisory agreements entered into with Red Cloud Capital Markets and KLR Capital (the "Agents"), the Company incurred the following financing fees related to the PLI Financing Agreement:

1. Cash consideration of US$488,000, equivalent to 8% of the funds received; and
2. Warrants granted to the Agents ("Agents' Warrants"), equivalent to 1% of the funds received, as follows:
    - Tranche 1 – 100,844 Agents' Warrants, with an exercise price of $0.20, and a two-year term expiring on August 4, 2019;
    - Tranche 2 – 145,698 Agents' Warrants, with an exercise price of $0.175, and a two-year term expiring on November 7, 2019; and
    - Tranche 3 – 122,787 Agents' Warrants, with an exercise price of $0.255, and a two-year term expiring on February 9, 2019.

Each Tranche has a grace period of 15 months after which the Company will deliver to PLI a total of 22,680 ounces of gold over the subsequent 45 months. For the repayment ounces, the Company will receive an amount per ounce of gold equal to the market price at the time, less a fixed discount. After the ounces of gold have been delivered, the Company will have no further obligations under the PLI Financing Agreement. During the term of the PLI Financing Agreement, PLI will also share in the upside on any increase in certain metal prices above the Base Spot Price established in the PLI Financing Agreement.

The Company had the right to buy out and terminate the PLI Financing Agreement at any time and the Company's obligations under this agreement are secured by a first charge over all of the Company's assets.

Concurrent with the receipt of Tranche 1, one-time upfront fees of US$900,000 were paid to PLI. These fees were netted pro-rata against all three Tranches within Deferred Revenue.

Additionally, pursuant to finder's fee and advisory agreements entered into with Red Cloud Capital Markets and KLR Capital (the "Agents"), the Company incurred the following financing fees related to Tranche 3, which were included in financing expenses in the statement of loss by March 31, 2018:

1. Cash consideration of $252,000, (US$200,000) ("Agents' Fees"), equivalent to 8% of the funds received; and

2. Agents' Warrants, with a Black Scholes valuation of $19,000, equivalent to 1% of the funds received, with an exercise price of $0.255, and a two-year term expiring on February 9, 2020, respectively (See Note 14 (b)).

Management has determined that the net proceeds from the Invicta financing received from PLI, less any Other Metals Option value, for the future delivery of gold ounces from production at the Invicta Project at contractual prices meet the accounting criteria for deferred revenue.

By March 31, 2018, all of the three Tranches were received, with the fair value of the Other Metals Option included in the metals derivative liability.

Following are the continuity schedules for deferred revenue for the six months ended June 30, 2019 and year ended December 31, 2018:

	Six months ended June 30, 2019		Year ended December 31, 2018	
In thousands of dollars	**CAD $**	**USD $**	**CAD $**	**USD $**
Opening balance	3,056	2,240	1,177	938
Tranches, net	–	–	3,224	2,500
Less: Other metals derivative liability	–	–	(2,050)	(1,590)
Financing fee accretion	328	246	509	392
Foreign exchange	(130)	–	196	–
Closing balance	3,254	2,486	3,056	2,240

For the six months ended June 30, 2019, the financing fee accretion was $328,000 (year ended December 31, 2018 - $509,000) and the foreign exchange gain was $130,000 (year ended December 31, 2018 – $196,000 loss).

PLI Financing Agreement, Notice of Default and Early Termination

On July 1 2019, the Company received notice that Pandion Mine Finance, LP had sold their interest in PLI, the vehicle that holds the Company's Invicta Project financing debt, to Lonely Mountain Resources S.A.C. ("Lonely Mountain").

On July 2, 2019, the Company received a formal Notice of Acceleration ("Acceleration Notice") from PLI on the PLI Financing Agreement. The Acceleration Notice claims that as a result of existing specified claims of alleged default, PLI has declared an early termination date of the loan and has requested immediate payment of US$15,581,654.

The specified claims of default relate primarily to the Company's inability to make scheduled repayments against the PLI Financing Agreement resulting from the ongoing illegal road blockade carried out by the community of Paran. The illegal road blockade, which commenced in October 2018, prevents the Company, all employees, contractors, and local community workers, from accessing the Invicta site and as a result all project related development and operating activities were suspended in October 2018.

Lupaka expressly does not agree with PLI's estimation of the early termination amount as set out in the Acceleration Notice or their attempt to enforce on security pursuant to the Acceleration Notice, and will respond to PLI's actions in due course. Lupaka is currently considering all actions available to it in response to PLI's Acceleration Notice.

Bridge Loan Financings

Bridge Loan 2 ("BL2")

Effective January 12, 2017 ("Closing Date"), the Company completed a bridge loan financing for gross proceeds of $300,000 with a group of third-party individuals and Insiders of the Company. No finders' fees were paid in connection with this bridge loan.

BL2 is unsecured and bears simple interest at the rate of twelve percent (12%) per annum, calculated and payable semi-annually, with the first interest payment due on June 30, 2017 and each 6 months thereafter.

The BL2 principal and accrued and unpaid interest is payable in full on or before the earlier to occur of: (i) three months after the Company receives an advance of funds of at least $8.0 million in new financing, if the noteholder requests repayment of BL2; and (ii) the date that is two years after the Closing Date (being January 12, 2019).

Pursuant to the closing of BL2, the Company issued share purchase warrants ("BL2 Warrants").

In May 2018, the Company paid $210,000 in principal plus $9,000 of accrued interest to noteholders who requested repayment in accordance with the terms of BL2.

In March 2019 the Company reached an agreement with the BL2 lenders to convert all of the remaining principal and most of the interest into Units of the Company. Each Unit was priced at $0.06 and consisted of one common share of the Company and one transferable common share purchase warrant, with each warrant entitling the holder to acquire one common share of the Company at a price of $0.10 for a period of 30 months from the date of closing.

To follow is a continuity schedule for BL2:

In thousands of dollars	**Liability $**
Balance, December 31, 2017	211
Loan accretion	88
Loans repaid	(210)
Balance, December 31, 2018	89
Loan accretion	1
Loans repaid with Lupaka Units	(90)
Balance, June 30, 2019	–

Bridge Loan 3 ("BL3")

Effective June 30, 2017 ("Effective Date"), the Company completed a bridge loan financing for gross proceeds of $600,000 with a group of third-party individuals and Insiders of the Company. No finders' fees were paid in connection with this bridge loan.

BL3 is unsecured and bears simple interest at the rate of twelve percent (12%) per annum, calculated and payable semi-annually.

The BL3 principal and accrued and unpaid interest is payable in full on or before: (i) three months after the Company receives any additional and/or new financing of at least $4.0 million, if the noteholder requests repayment of BL3; or (ii) the date that is six months after the Effective Date, whichever is the earlier.

Pursuant to the closing of BL3, the Company issued share purchase warrants ("BL3 Warrants").

In May 2018 the Company's directors extended the term of the BL3 loan to June 30, 2019. As a result of the extension, the previously issued BL3 warrants ("BL3a") were canceled and new BL3 warrants ("BL3b Warrants") were issued.

Also, in May 2018, the Company paid $150,000 in principal plus $6,000 of accrued interest to noteholders who requested repayment in accordance with the terms of BL3.

In March 2019 the Company reached an agreement with the BL3 lenders to convert all of the remaining principal and most of the interest into Units of the Company. Each Unit was priced at $0.06 and consisted of one common share of the Company and one transferable common share purchase warrant, with each warrant entitling the holder to acquire one common share of the Company at a price of $0.10 for a period of 30 months from the date of closing.

To follow is a continuity schedule for BL3:

In thousands of dollars	**Liability $**
Balance, December 31, 2017	600
Loans repaid	(150)
Fair value of BL3b Warrants issued (see Note 14)	(245)
Finance expense	245
Balance, December 31, 2018	450
Loans repaid with Lupaka Units	(450)
Balance, June 30, 2019	–

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

- basic – 148,509,368 common shares
- fully-diluted – 196,919,038 common shares, after including:
  - 38,874,670 common share purchase warrants, with a weighted average exercise price of $0.11; and
  - 9,535,000 stock options, with exercise prices ranging from $0.06 to $0.23, of which 7,507,500 options are vested.

As at June 30, 2019, the Company's aggregate recorded common share capital amount was $59,625,000 ($59,360,000 – December 31, 2018) representing 148,509,368 issued and outstanding common shares without par value (122,009,860 – December 31, 2018).

As at June 30, 2019, the Company had 35,541,337 share purchase warrants outstanding at a weighted average exercise price of $0.11 (14,402,662 at a weighted average price of $0.15 – December 31, 2018) and 9,535,000 stock options outstanding at a weighted average exercise price of $0.14 (10,162,500 at a weighted average price of $0.14 – December 31, 2018).

Equity Issued
On March 13, 2019, the Company completed a non-brokered private placement unit Offering with third-party individuals raising gross proceeds of $665,000. The Company issued 11,083,333 units (the "March 2019 Unit") priced at $0.06 per unit. Each March 2019 Unit consists of one common share and one transferable common share purchase warrant (each, a "March 2019 Warrant"). Each March 2019 Warrant entitles the holder to purchase one additional common share, exercisable at $0.10 for a period of thirty months from the date of the closing of the Offering.

In connection with the subscriptions received in the Offering, the Company paid finders' fees of $19,350 and issued 322,500 non-transferable common share purchase warrants (each, a "Finders' Warrant"), with each Finders' Warrant entitling the holder to acquire one common share of the Company at a price of $0.10 for a period of 30 months from the date of the closing of the Offering.

The Company also completed an SFD Transaction in March 2019. Under the SFD Transaction, the Company issued 14,566,175 Units to several creditors under the same terms and pricing as the Private Placement to convert $873,971 in bridge loans and short-term accounts payable in Canada. Each Unit converted at a deemed price of $0.06. Certain directors and officers of the Company participated in the SFD Transaction, totalling $156,250 converting to 2,604,166 Units. In addition to the finders' fees above, share issue costs totalled approximately $10,000 and related to both the Offering and the SFD Transaction.

On February 7, 2019, the Company issued 850,000 common shares to a creditor at a deemed price of $0.155 per share.

During the year ended December 31, 2018, 3,275,180 common shares were issued for proceeds of $446,700 from the exercise of 2,841,430 share purchase warrants for proceeds of $414,250 at a weighted average price of $0.146 per share and 433,750 stock options were exercised for proceeds of $32,450 at a weighted average price of $0.075 per share.

Accumulated Deficit
The Company's accumulated deficit was $55,019,000 as at June 30, 2019 ($54,519,000 – December 31, 2018), with the increase in deficit of $500,000 reflecting the net loss for the six months ended June 30, 2019.

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

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

Off-Balance Sheet Arrangements
The Company does not have any off-balance sheet arrangements.

Transactions with Related Parties

During the six months ended June 30, 2019, the Company:

- accrued $16,000 (net of tax) for consulting and advisory services to Havilah Holdings Inc. ("Havilah"), a company wholly-owned by Geoff Courtnall; and
- paid $40,100 in interest payments related to the Company's bridge loans, to a former officer, a director and former director and/or companies controlled by them or a related party, including $32,400 due as at December 31, 2018. As at December 31, 2018, these individuals' bridge loan holdings comprised all $90,000 of BL2 and all $450,000 of BL3. The bridge loan principal amounts and $18,600 of interest payments were repaid in their entirety in the Company's SFD Transaction in March 2019. The balance of $21,500 in BL2 and BL3 interest was settled with cash.

Key management compensation

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

	Three months ended June 30		**Six months ended June 30**	
	2019	**2018**	**2019**	**2018**
In thousands of dollars	**$**	**$**	**$**	**$**
Salaries, fees and benefits	67	231	361	300
Share-based compensation	47	105	115	204
Total	114	336	476	504

Of the $294,000 included in salaries and benefits during the six months ended June 30, 2019, approximately $209,000 in remuneration was for severance paid in SFD Transaction Units and common shares.

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

As at June 30, 2019, $57,000 (net of tax) was payable to an officer, director and a company controlled by a related party for services rendered and $275,000 was payable to a former CEO of the Company pursuant to a March 2018 settlement agreement between the parties and included in Settlement Liabilities. In February 2019, the Company restructured the March 2018 settlement agreement to a cash payment of $27,500 to be paid during Q2 2019 and a $247,500 note, conditionally payable based on achieving future production thresholds at the Invicta Gold Project.

Reclamation and closure cost obligations

When the Company exhausts or abandons a mining property or an exploration site, it is required to undertake certain reclamation and closure procedures under the terms of the legislation enacted by the government of Peru. Consequently, the Company records a reclamation provision.

The provision has been measured at the estimated value of future rehabilitation costs and an estimated mine life of 9 years plus an additional 4 years of post-mine life rehabilitation. The estimated cash-flows were discounted to present value using a risk-free discount rate (adjusted to inflation) of 8.1%. Periodically the Company reviews the estimate of future costs of the requisite reclamation and closure work required by current legislative standards. The present value of the estimated future cash outflows to meet required legislative standards for reclamation and closure work is $755,000. These future cash outflows have been discounted at the risk-free interest rate considered applicable in Peru, where the Company's properties are located.

As at June 30, 2019, no loss provision has been made for the above-noted remaining SUNAT assessment(s) in these consolidated financial statements, as neither the probability nor the amount of the contingent amount can be reasonably estimated.

Adoption of new and amended IFRS pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning January 1, 2019, as set out below. Pronouncements that are not applicable to the Company have been excluded from this note.

IFRS 16 - Leases – Effective January 1, 2019 the Company has adopted IFRS 16 Leases ("IFRS 16") which replaces IAS 17 Leases ("IAS 17") and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (the lessee and the lessor). Accordingly, from the perspective of the lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases that is currently required by IAS 17 and, instead, introduces a single lessee accounting model. From the perspective of the lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently.

The Company has determined that it does not have any contracts that fall under the scope of IFRS 16 that would require recognition in the current period. Therefore, there is no impact on the Condensed Interim Consolidated Financial Statements for the current or comparative periods. The adoption of IFRS 16 also has no impact on basic and diluted loss per share or opening deficit.

Significant accounting estimates and key sources of estimate uncertainty

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

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

The following are the significant judgments and estimates, that management made in the process of applying the Company's key accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

Reclassification of exploration & evaluation assets to mineral property under development – the decision to declare technical feasibility and commercial viability at the Invicta Gold Project and therefore reclassify the Invicta asset from an exploration and evaluation asset to a mineral property under development (the "Production Decision and Plans") are based on economic models prepared by the Company in conjunction with management's knowledge of the property and the existing estimate of Indicated and Inferred Mineral Resources on the property.

Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs – this review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

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, and asset specific discount rates to determine the present value of the related cash flows. A change in any of the assumptions used may have a material impact on the carrying value of reclamation provisions.

Valuation of the derivative related to deferred revenues – provision is made regarding the PLI Financing Agreement where the accounting recognition of the prepayment amounts, less any covered metals option value, are recorded as deferred revenue, to be amortized over the expected gold ounces to be delivered under the PLI Financing Agreement. These provisions include the use of future production forecasts as well as estimations of the volatility of the applicable commodity prices, the market prices, and risk-free rate. The valuation of the related derivative in this arrangement is an area of estimation and is determined using discounted cash flow models. These models require a variety of inputs, including, but not limited to, contractual terms, market prices, forward curve prices, mine plans and discount rates. Changes in these assumptions could affect the carrying value of derivative assets or liabilities and the amount of gains or losses recognized in other operation income (expense).

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

Impairment of mineral property under development – the carrying value of the Company's mineral property under development 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. The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

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

Accounting Policies

The Company's accounting policies are as disclosed in Note 3 of the audited annual consolidated financial statements for the years ended December 31, 2018 and 2017, which can be found at www.sedar.com under the Company's profile "Lupaka Gold Corp.".

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and assets – see Liquidity and Capital Resources (re: going concern). At June 30, 2019 and December 31, 2018, the Company's undiscounted contractual obligations and their maturity dates were as:

In thousands of dollars	June 30, 2019 $	December 31, 2018 $
Trade and other payables (within 1 year)	2,283	2,778
Long-term liability (1 - 2 years)	350	–

Bridge Loans (1 year)	–	540
Deferred revenue and derivative liability (within 5 years)	9,161	9,549
Total	11,794	12,867

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, the Company's functional currency in Peru. 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.

Operational Risk
Estimates of the recoverable amounts for non-financial assets are subjective and can vary over time. The Company estimates the recoverable amounts of non-financial assets using assumptions and if the carrying value of an asset at that time is determined to be greater than its actual recoverable amount, an impairment will be recognized, along with an increase in the Company's loss for the period. The Company conducts impairment assessments of non-financial assets at the end of each reporting period and the Company assesses whether there are any indicators that non-financial assets (such as property, plant and equipment) may be impaired. If an indicator of impairment exists, the recoverable amount of the asset is calculated in order to determine if any impairment loss is required. Non-financial assets are tested for impairment when events or changes in circumstances suggest that the carrying amount of these assets may not be recoverable. During the period ended June 30, 2019 the Company determined that such indicators did exist on the Company's Mineral Properties Under Development and an impairment test was undertaken but determined that an impairment was not required. An impairment test is subjective and requires management to make estimates and assumptions for a number of factors including regaining access and restarting the Invicta Project, estimates of production levels, mineral resources and mineral reserves, operating costs and capital expenditures reflected in the Company's life-of-mine plan, as well as economic factors beyond management's control, such as metal prices and discount rates. Should management's estimates and assumptions regarding these factors be incorrect or vary over time, the Company may be required to modify the impairment charges, if any, which would impact the Company's earnings. It is difficult to predict if and when impairment charges may be incurred.

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.

The fair values of cash, trade and other receivables and trade and other payables approximate carrying value because of their short-term nature. At June 30, 2019 and December 31, 2018, the Company had no marketable securities that are categorized as Level 1 in the fair value hierarchy above that are measured and recognized in the consolidated statement of financial position at fair value.

The metals derivative liability, a Level 2 financial instrument, was determined to be a distinct and separate obligation under the PLI Financing Agreement as it provides some upside to PLI in the event that prices for non-gold metals (specifically silver, copper, lead, and zinc) exceed baseline levels set on inception of the agreement, noting this relates only to production of metals at Invicta during the tenure of the PLI Financing Agreement.

Consequently, the metals derivative liability is measured and accounted for separately from the related PLI prepayment deferred revenue.

The following assumptions were applied to the revaluation of Tranche 1, Tranche 2 and Tranche 3 as at June 30, 2019:

	Silver (oz)	**Copper (tonne)**	**Lead (tonne)**	**Zinc (tonne)**
Quantity	178,301	1,193	960	879
Metal price ($ per unit)	US$15.34	US$5,486	US$1,933	US$2,492
Exercise price ($ per unit)	US$15.62	US$5,497	US$2,051	US$2,453
Risk free interest rate (%)	1.40%			
Expected life (years)	3.75			
Expected volatility (%)	20%	19%	21%	20%

Following are the continuity schedules for the Company's other metals derivative liability for the six months ended June 30, 2019 and the year ended December 31, 2018:

	Six months ended June 30, 2019		**Year ended December 31, 2018**	
In thousands of dollars	**CAD $**	**USD $**	**CAD $**	**USD $**
Opening balance	3,413	2,502	3,627	2,891
Additions: Tranche derivative liability	–	–	2,050	1,589
Upside payments	(1)	(1)	(10)	(7)
Revaluation	(283)	(208)	(2,570)	(1,971)
Foreign exchange	(128)	–	316	–
Closing balance	3,001	2,293	3,413	2,502

For the six months ended June 30, 2019, the revaluation decreased the liability by $283,000 (year ended December 31, 2018 –$2,570,000) and the foreign exchange impact was a gain of $128,000 (year ended December 31, 2018 – $316,000 loss).

At June 30, 2019 and December 31, 2018, only the deferred revenue and other metals derivative liability arising from the PLI Financing is measured and recognized in the consolidated statement of financial position at fair value that would be categorized as Level 2 in the fair value hierarchy above.

Disclosure Controls and Procedures

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2019 and this accompanying MD&A (together, the "Interim Filings").

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

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