MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This Management's Discussion and Analysis ("MDA") supplements, but does not form part of, the unaudited condensed consolidated financial statements of Lupaka Gold Corp. ("Lupaka Gold" or "the Company") and the notes thereto for the periods ended June 30, 2020 and 2019 (collectively referred to hereafter as the "Financial Statements").

The Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS"). As such, the interim financial statements do not include all of the information required by IFRS for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019, in addition to any new accounting policies applicable for the period ended June 30, 2020.

The Company's certifying officers are responsible for ensuring that the Financial Statements and MDA do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's certifying officers certify that the Financial Statements together with the other financial information included in the filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company as of the date of and for the periods presented in the filings.

The Company's Audit Committee and the Board of Directors provide an oversight role with respect to all public financial disclosures by the Company. The Board of Directors approves the Financial Statements and MDA after the completion of its review and recommendation for approval by the Audit Committee, which meets periodically to review all financial reports, prior to filing.

In this MDA, "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"), Andean Exploraciones S.A.C. ("AES", Peru) and Greenhydro S.A.C. ("Greenhydro", Peru).

This MDA provides management's comments on Lupaka's operations for the three- and six-month periods ended June 30, 2020 and 2019, and the Company's financial condition as at June 30, 2020, as compared with the prior year-end.

The effective date of this MDA is August 27, 2020 (the "MDA 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 MDA should be read together with the Company's Financial Statements, which can be found under the Company's name at www.sedar.com.

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

The Financial Statements and the MDA were approved by the Board of Directors on August 27, 2020.

Forward-Looking Statements

Statements contained in this MDA that are not historical facts are "forward-looking statements" or "forward-looking information" (collectively, "**Forward-Looking Information**") (within the meaning of applicable Canadian securities legislation) that involve risks and uncertainties. Forward-Looking Information includes, but is not limited to, statements relating to: the amount of financings 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; requirements for additional capital; the estimation of mineral resources; the effect of government policies and announcements; and changes to applicable laws in Peru on the Company's operations. In certain cases, Forward-Looking

Information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

The Forward-Looking Information is based on certain assumptions that the Company believes are reasonable, including: with respect to any mineral resource estimates, the key assumptions and parameters on which such estimates are based; the assumption that any additional financing needed will be available on reasonable terms; the exchange rates of the U.S., Canadian and Peruvian currencies in 2020 will be consistent with the Company'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; 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 MDA.

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 MDA. 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 MDA 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 MDA.

Cautionary Note to US Investors

Information concerning mineral properties in this MDA 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 MDA 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 MDA 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’t 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.

Overall Performance

Lupaka Gold is a Peru-focused mineral development and exploration company, focused on the resolution of its Arbitration Claim against the Republic of Peru under the 2009 Canada-Peru Free Trade Agreement ("CPFTA").

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

- On August 4, 2020, the Company announced that it had entered into an Arbitration Funding Agreement with Bench Walk Advisors to support the Company's FTA arbitration claim (see ***Outlook***);
- July 30, 2020, the Company announced that it had executed a series of mutual releases between the Company and its subsidiaries and PLI Huaura Holdings L.P. ("PLI"), Invicta Mining Corp S.A.C. and certain associated parties of PLI (see ***Outlook***);
- On June 10, 2020, the Company announced that it had closed a non-brokered private placement of 5,000,000 common shares at $0.02 per share for net proceeds of $100,000 utilizing the TSX Venture Exchange's Temporary Relief Bulletin dated April 8, 2020 (see ***LIQUIDITY and CAPITAL RESOURCES/Outstanding Shares***);
- On December 13, 2019, the Company announced that on December 12, 2019 it delivered to the Peruvian Minister of Economy and Finance a Notice of Intent to Submit a Claim to Arbitration in accordance with the 2009 Free Trade Agreement between Canada and Peru (see ***Outlook***);
- On December 3, 2019, the Company advised that PLI had completed certain foreclosure procedures, which resulted in the transfer of all of the ownership shares of Invicta Mining Corp., which holds the Invicta Gold Project, to PLI (see ***Outlook***);
- On November 25, 2019, the Company issued a response to the PLI Letter advising PLI that the Company reserves all of its rights including, without limitation, commencing litigation in New York or another appropriate forum in seeking equitable and legal relief from PLI;
- On November 12, 2019, the Company received a Notice of Indemnification and Reservation of Rights letter dated November 8, 2019 from PLI Huaura Holdings L.P. (the "PLI Letter"), which primarily demands that the Company make the indemnification payments to PLI in respect of the PLI Financing Agreement (which PLI claims, as of October 31, 2019, totals an aggregate of US$ 15,957,086), and all other amounts outstanding under the PLI Financing Agreement (see ***Outlook***);
- In October 2019, the Company was formally advised that pursuant to PLI's security-collateral rights under the PLI Financing Agreement, PLI had seized all of the ownership shares of Invicta Mining Corp., effective July 2, 2019 (see ***Outlook***);
- On July 2, 2019 the Company announced that it believes that PLI's and Lonely Mountain's actions in pursuing purported amounts owed by the Company pursuant to PLI's early termination of the PLI Financing Agreement constitute violations of their obligations under the PLI Financing Agreement and as a secured creditor under applicable New York law (see ***Outlook***);
- 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; and
- On July 3, 2019 the Company announced that PLI Huaura Holdings L.P., 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.

Outlook – The Company’s loss of ownership and control of Invicta Mining Corp., Arbitration Claim and PLI-Lupaka Gold Mutual Releases

Paran Blockade

As of October 2018, the Company was impacted by an illegal blockade and demonstrations by the community of Paran (the “Paran Blockade”). To date and continuously since October 2018, the Paran Blockade perpetrators have blockaded the access road situated on Lacsanga Community land and which is located directly outside of the main gate at Invicta, thereby preventing any access by the Company to the Invicta Gold Project site.

Overall, project development was over 90% complete and initial shipments had been sent to regional processing plants for processing. In addition, a substantial amount of mineralized material had been mined and prepared for transportation to toll mills for processing, while the final inspection for the mining exploitation license, which was originally scheduled for October 2018, could not take place.

The illegal Paran Blockade resulted in:

1) the termination of 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) the termination of the Company’s Invicta staff;
4) significant and continuing delays in scheduled payments to local suppliers and vendors;
5) the loss of contracted toll milling capacity;
6) an inability for the Company to achieve operational cash flow and make its PLI Financing Agreement loan repayments as originally scheduled; and
7) On July 3, 2019 the Company announced that PLI 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.

Despite numerous requests for resolution assistance from local and federal government officials of the Republic of Peru, the requested assistance was not provided and the blockade continues and/or Paran-controlled access is in place today, resulting in the Company’s loss of its ownership of IMC and the Invicta Gold Project in August 2019.

PLI – Lupaka Gold Mutual Releases Executed

On July 22, 2020, a series of mutual releases (the “Release”) were executed between the Company and its subsidiaries (together, the “Lupaka Parties”) and PLI Huaura Holdings L.P. (“PLI”), Invicta Mining Corp S.A.C. (“IMC”) and certain associated parties of PLI (the “PLI Parties”).

As a result, all claims made or in the process of being made by the Lupaka Parties against the PLI Parties are deemed to be released and forever discharged from each and every one of the PLI Parties; and all claims made or in the process of being made by the PLI Parties against the Lupaka Parties are deemed to be released and forever discharged from each and every one of the Lupaka Parties. Further, it is understood and agreed by the Parties that the Release is a settlement of disputed claims, and does not constitute an admission of liability or wrongdoing on the part of any Party. Nor shall the Release constitute an admission by any Party of any fact or principle of law.

A significant outcome of the Release to the Company is that the liability of ~$22 Million to PLI, which was reported by the Company in its financial filings for the period ended June 30, 2020, has been fully discharged by the PLI Parties and will be duly eliminated in the Company’s upcoming Q3-2020 financial filings.

Arbitration Claim made under the Canada-Peru Free Trade Agreement

The specified claims of default relate primarily to the Company’s inability to make scheduled repayments against the PLI Financing Agreement as a result of the ongoing illegal road blockade carried out by the community of Paran at Invicta. Despite numerous requests for resolution assistance from local and federal government officials of the Republic of Peru, the requested assistance was not provided and the blockade continued, resulting in the Company’s loss of its ownership of IMC and the Invicta Gold Project.

On December 12, 2019, the Company delivered to the Peruvian Minister of Economy and Finance a Notice of Intent to Submit a Claim to Arbitration in accordance with the 2009 Free Trade Agreement between Canada and Peru (the "CPFTA Arbitration"). In this respect, the Company has engaged Lalive (London, UK) LLP to represent its interests in the CPFTA Arbitration.

On August 4, 2020, the Company reported that it had entered into an Arbitration Funding Agreement with Bench Walk Advisors ("BWA") to support the Company's arbitration claim against the Republic of Peru under the 2009 Canada-Peru Free Trade Agreement ("FTA. The Agreement allows for up to USD$4.1 million to support the arbitration and related costs. All monies to be advanced by BWA are non-recourse and are only repayable upon completion of a successful claim where monies are recovered. As such, the financing is non-dilutive to current Lupaka shareholders. Precise terms of the Arbitration Funding Agreement (other than those set out herein) are confidential.

Going Concern

These 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, 2020, the Company has a working capital deficit (current assets less current liabilities) of $22,878,000 (December 31, 2019 - $21,537,000 deficit) and accumulated deficit of $90,025,000 (December 31, 2018 - accumulated deficit of $88,552,000). For the six months ended June 30, 2020, the Company incurred a loss of $1,473,000 (2019 - loss of $500,000) and used cash in operating activities of $96,000 (2019 - cash used of $196,000). *As noted above, a significant outcome of the Release to the Company is that the liability of ~$22 Million to PLI has been fully discharged by the PLI Parties and will be duly eliminated in the Company's upcoming Q3-2020 financial filings, thereby significantly improving the current working capital deficit and accumulated deficit.*

The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flow from operating activities or to raise funds primarily through the issuance of shares or obtaining alternative financing, which it has been successful in doing so in the past. There is no certainty that sufficient financing can be obtained in the future. As a result, there are material uncertainties that cast significant doubt about the Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business.

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.

In 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a potential material impact to the Company's activities, cash flows, liquidity and its ability to raise additional capital. Various restrictions on gatherings, work and access to remote communities near the Company's potential/future projects may also impact the Company's ability to perform operational activities.

Corporate Structure

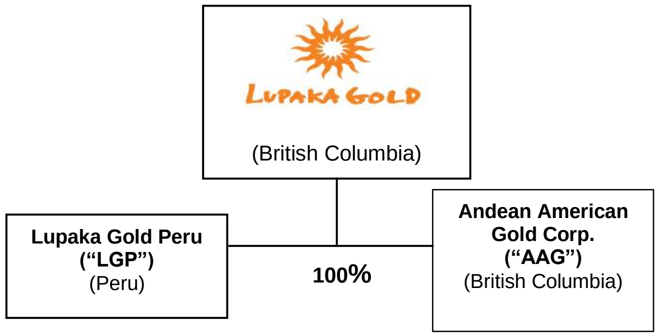
Lupaka Gold was incorporated under the *Company Act* (British Columbia) (predecessor to the British Columbia *Business Corporations Act*) on November 3, 2000 under the name "Kcrok Enterprises Ltd." and transitioned to the *Business Corporations Act* (British Columbia) on November 2, 2005. On May 4, 2010, 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 Road, 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 until July 2019 owned 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 MDA Date. The entities below are active unless otherwise noted.



IMC, a Peru company, was a subsidiary of AAG until the loss of control of IMC on July 2, 2019. Other subsidiaries, all of which are 100%-owned, inactive and located in Peru, are Andean Exploraciones S.A.C. and Greenhydro S.A.C.

As at August 27, 2020, Lupaka Gold had a market capitalization of ~$4.5 million.

Personnel
The Company’s corporate head office is located in North Vancouver, B.C., Canada, while its Peru operations are conducted by its local Country Manager 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 MDA Date, the number of staff with the Company was as follows:

	Jun 30 2019	Sept 30 2019	Dec 31 2019	Mar 31 2020	Jun 30 2020	MDA Date
Canada	3	3	3	3	3	3
Peru						
Administration	4	1	1	1	1	1
Development & Technical	1	-	-	-	-	-
Total	8	4	4	4	4	4

Due to the illegal Paran Blockade and PLI’s actions, staff in Peru resigned or were terminated at the beginning of 2019 and no longer work for the Company.

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, was appointed CFO. At present, the Company’s directors are comprised of Gordon L. Ellis, Norman Keevil III, Lucio Pareja, Luquman Shaheen, and Mario Stifano.

Business of the Company
The Company is a gold mineral exploration and development company. Its principal activities consist of evaluating, acquiring, exploring and developing gold mining properties to production. 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.

Mineral Projects

After the November 2017 sale of Crucero, the termination of the Josnitoro Gold Project JV with Hochschild Mining plc, and PLI's foreclosure actions (whereby PLI obtained all of the ownership shares of IMC), the Company has no remaining development projects. However, management is continuing to actively seek out gold exploration projects for potential development and investment.

For background and other financial information concerning the above-mentioned projects, see the Company's audited consolidated financial statements and related management's discussion and analysis and unaudited interim consolidated financial information and related management's discussion and analysis, all located at www.sedar.com under the Lupaka Gold Corp. profile.

SELECTED FINANCIAL INFORMATION

The following information has been extracted from the Company's audited consolidated financial statements for the years ended December 31, 2019, 2018 and 2017:

In thousands of Canadian Dollars, except for per share amounts

Years ended December 31,	**2019**	**2018**	**2017**
Exploration expenses, net of recoveries	Nil	(201)	1,540
Loss due to loss of control over subsidiary	18,673	Nil	Nil
Write-down of LGP assets	17	Nil	Nil
Loss on re-measurement of PLI liability	14,593	Nil	Nil
Loss on sale of mineral property	Nil	Nil	11,037
General and administrative expenses	703	1,411	870
Financing expenses	333	1,054	1,137
Interest income	(2)	Nil	Nil
Loss (gain) on metals derivative liability	(284)	(2,570)	218
Loss on sale of marketable securities	Nil	Nil	81
Gain on sale of equipment	Nil	(9)	Nil
Loss (earnings) for the year	34,033	(315)	14,883
Loss (earnings) per share, basic	$0.24	($0.00)	$0.13
Loss (earnings) per share, diluted	N/A	($0.00)	N/A

The following table presents selected unaudited quarterly operating results for each of the last eight quarters. Selected quarterly financial information is extracted from unaudited 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	**Q2-20**	**Q1-20**	**Q4-19**	**Q3-19**	**Q2-19**	**Q1-19**	**Q4-18**	**Q3-18**
Exploration expenses	Nil	Nil	Nil	Nil	Nil	Nil	7	1
General and administrative expenses	71	38	136	104	250	213	396	362
Loss due to loss of control of IMC	Nil	Nil	3,464	15,209	Nil	Nil	Nil	Nil
Write-down of LGP assets	Nil	Nil	17	Nil	Nil	Nil	Nil	Nil
Loss (gain) on re-measurement of PLI liability	(757)	2,110	14,593	Nil	Nil	Nil	Nil	Nil
Financing expenses	(9)	20	(4)	15	162	160	185	181
Loss (gain) on metals derivative liability	Nil	Nil	Nil	Nil	(1,015)	731	(537)	(1,113)
Interest income	Nil	Nil	(2)	1	(1)	Nil	Nil	Nil
Gain on sale of equipment	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Loss (earnings) for the quarter	(695)	2,168	18,204	15,329	(604)	1,104	51	(569)
Loss (earnings) per share, basic	$0.00	$0.01	$0.06	$0.10	($0.00)	$0.01	$0.00	($0.00)
Loss (earnings) per share, diluted	N/A	N/A	N/A	N/A	($0.00)	N/A	N/A	($0.00)

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: the Company's loss due to loss of control over IMC and the Invicta Gold Project in Q3-19 and Q4-19, the re-measurement of the PLI liability in Q4-19 through Q2-20, gains on the metals derivative liability related to the PLI Financing Agreement from Q2-18 to Q4-18 and Q2-19 and a loss on the metals derivative liability in Q1-19, 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 until Q2-18, 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. The consolidated statements of loss, comprehensive loss and deficit for the periods presented reflect both the Company's Canadian and, until the end of 2019, its Peruvian operations.

Financial results for the three and six-month periods ended June 30, 2020 and 2019 are summarized as follows:

	Three months ended June 30		**Six months ended June 30**	
In thousands of dollars	**2020**	**2019**	**2020**	**2019**
Operating expenses				
General and administration	71	250	109	463
Operating loss	71	250	109	463
Loss (gain) on re-measurement of PLI liability	(757)	-	1,353	-
Financing expenses	(9)	162	11	322
Gain on metals derivative liability	–	(1,015)	-	(284)
Interest income	-	(1)	-	(1)
Loss (earnings) for the period	(695)	(604)	1,473	500

Three months ended June 30, 2020

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

General and administration expenses

The Company's expenses totalled $71,000 for the three months ended June 30, 2020 compared to $250,000 for the three months ended June 30, 2020, with the decrease of $179,000 being the result of:

- Salaries, benefits and fees of $38,000 for the second quarter of 2020 compared to $202,000 for the second quarter of 2019, a decrease of $164,000 due mainly to the resignations of former senior management in the third quarter of 2019;
- Office and general expenses totalled $8,000 for the second quarter of 2020 compared to $15,000 for the second quarter of 2019, a decrease of $7,000 due to the Company no longer renting office space;
- Shareholder and investor relations expenses totalling $2,000 for the second quarter of 2020 compared to $13,000 for the second quarter of 2019, a decrease of $11,000; and
- No travel expenses in the second quarter of 2020 compared to $3,000 in the second quarter of 2019; partially offset by
- Professional and regulatory fees totalling $23,000 for the second quarter of 2019 compared with $17,000 for the second quarter of 2019, an increase of $6,000.

Financing expenses

$Nil in loan accretion relating to the Company's bridge loans and $Nil in interest expense related to the bridge loans were incurred in the three months ended June 30, 2020 and 2019.

A foreign exchange gain of $9,000 occurred in the three months ended June 30, 2020 compared to a $7,000 foreign exchange gain in the same period of 2019.

Gain on re-measurement of PLI liability during the three months ended June 30, 2020 totalled $757,000 compared to a gain on metals derivative liability of $1,015,000 and financing expenses of $169,000 for the same period of 2019.

Six months ended June 30, 2020

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

General and administration expenses

The Company's expenses totalled $109,000 for the six months ended June 30, 2020 compared to $463,000 for the six months ended June 30, 2020, with the decrease of $354,000 being the result of:

- Salaries, benefits and fees of $60,000 for the six months ended June 30, 2020 compared to $343,000 for the six months ended June 30, 2019, a decrease of $283,000 due mainly to the resignations of former senior management in the third quarter of 2019;
- Office and general expenses totalled $12,000 for the first half of 2020 compared to $36,000 for the first half of 2019, a decrease of $24,000 due to the Company no longer renting office space;
- Shareholder and investor relations expenses totalling $5,000 for the first half of 2020 compared to $34,000 for the first half of 2019, a decrease of $29,000; and
- No travel expenses in the first half of 2020 compared to $5,000 in the first half of 2019; partially offset by
- Professional and regulatory fees totalling $32,000 for the first half of 2020 compared with $45,000 for the first half of 2019, a decrease of $13,000.

Financing expenses

$Nil (2019 – $1,000) in loan accretion relating to the Company's bridge loans and $Nil (2018 – $8,000) in interest expense related to the bridge loans were incurred in the six months ended June 30, 2020.

A foreign exchange loss of $11,000 occurred in the six months ended June 30, 2020 compared to a $15,000 foreign exchange gain in the same period of 2019.

Loss on re-measurement of PLI liability during the six months ended June 30, 2020 totalled $1,353,000 compared to a gain on metals derivative liability of $284,000 and financing expenses of $328,000 for the same period of 2019.

Share-based compensation expenses

Option pricing models require the input of highly subjective assumptions including expected price volatility. Non-cash share-based compensation costs of $32,000 have been recorded for the six months ended June 30, 2020 (2019 - $125,000), and allocated as follows:

	Three months ended June 30		**Six months ended June 30**	
In thousands of dollars	**2020**	**2019**	**2020**	**2019**
Salaries and benefits	17	36	28	85
Shareholder and investor relations	1	3	4	7
Development costs (capitalized)				
Project Administration	-	13	-	30
Community	-	1	-	3
Total share-based compensation	18	53	32	125

LIQUIDITY AND CAPITAL RESOURCES

In thousands of dollars	**June 30, 2020**	**December 31, 2019**
Cash	80	76
Working capital (defined as current assets less current liabilities)	(22,878)	(21,537)
Total assets	89	100
Total liabilities	22,966	21,636
Shareholders' equity	(22,877)	(21,536)

The principal changes in the Company's cash during the six months ended June 30, 2020 were as follows:

- Net cash used in operating activities in the six months ended June 30, 2020 was $96,000, which was a product of the Company's loss for the six months of $1,473,000 and the following adjustments for items not affecting cash:
  - Gain on re-measurement of PLI liability of $1,353,000;
  - share-based compensation expense of $32,000; and
  - an $8,000 net decrease in non-cash working capital.
- Net cash from financing activities in the six months ended June 30, 2020 totaled $100,000 from a non-brokered private placement.
- There were no investing activities in the first six months of 2020.

Current liabilities at June 30, 2020 totalled $22,966,000 (December 31, 2019 – $21,636,000), and were comprised of: due to PLI of $22,200,000, accounts payable and accrued liabilities of $737,000 (December 31, 2019 – $760,000) including severance payments to a former CEO of the Company and amounts due to related parties totalling $29,000 (December 31, 2019 – $29,000).

Receivable from IMC - with the Company's loss of its ownership of Invicta Mining Corp., net intercompany advances previously made by Lupaka or its corporate assignees to IMC total approximately US$15.97 million including interest. However, as the parties have executed mutual releases (as referenced in ***Outlook*** above) the collectability from IMC and/or its owners is no longer possible. Consequently, the Company's carrying value for accounting purposes for the IMC receivable as at June 30, 2020 is $Nil.

Due to PLI and loss on re-measurement of PLI liability

Management disagreed with PLI's estimate of approximately US$16 million (as of October 31, 2019) owed to PLI as a result of PLI's termination of the PLI Financing Agreement. However, in the absence of any discharge, payment or settlement of this disputed obligation prior to June 30, 2020, the Company recorded a Due to PLI liability of $22.2 million (US$16.3 million). During the six months ended June 30, 2020, the Company recorded interest of US$239,000.

A significant outcome of the Release to the Company is that the Due to PLI Liability reported herein has been fully discharged by the PLI Parties and will be duly eliminated in the Company's upcoming Q3-20 financial filings.

Deferred revenue

The gross proceeds received from 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$2.5 million ("Tranche 3", received in February 2018).

Each Tranche had a grace period of 15 months after which the Company was to deliver to PLI a total of 22,680 ounces of gold over the subsequent 45 months. For the repayment ounces, the Company would receive an amount per ounce of gold equal to the market price at the time, less a fixed discount. After the ounces of gold had been delivered, the Company would have no further obligations under the PLI

Financing Agreement. During the term of the PLI Financing Agreement, PLI would 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 were 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, of which US$161,000 remains unpaid and is included in Accounts Payable; 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 12 (b)).

Management 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.

Due to the loss of control of IMC, the deferred revenue was re-measured and included in the Due to PLI liability, as the Company will no longer deliver gold into the related, now-terminated PLI Financing Agreement.

Metals derivative liability

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 provided 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 PLI Financing Agreement, noting that this relates only to production of metals at Invicta during the tenure of the PLI Financing Agreement.

Outstanding Shares

As at the MDA Date, the following securities were issued and outstanding:

- basic – 153,509,368 common shares
- fully-diluted – 190,286,376 common shares, after including:
  - 25,972,008 common share purchase warrants, all with an exercise price of $0.10; and
  - 12,555,000 stock options, with exercise prices ranging from $0.05 to $0.23, of which 9,267,500 options are vested.

As at June 30, 2020, the Company's aggregate recorded common share capital amount was $59,725,000 (December 31, 2019 - $59,625,000) representing 153,509,368 issued and outstanding common shares without par value (December 31, 2019 - 148,509,368 shares).

As at June 30, 2020, the Company had 25,972,008 share purchase warrants outstanding at an exercise price of $0.11 (December 31, 2019 – 28,094,795 at a weighted average price of $0.11) and 12,555,000 stock options outstanding at a weighted average exercise price of $0.10 (December 31, 2019 – 12,155,000 at a weighted average price of $0.14).

Equity Issued

On June 10, 2020, the Company completed a non-brokered private placement with third-party individuals raising gross proceeds of $100,000 by issuing 5,000,000 common shares at a price of $0.02 per common share. All of the shares issued are subject to a 4- month hold period from the date of issuance.

On March 13, 2019, the Company completed a non-brokered private placement unit Offering with third-party individuals raising gross proceeds of $665,000 and issuing 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") entitling the holder to purchase one additional common share at $0.10 per share 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") entitling the holder to acquire one common share of the Company at a price of $0.10 per share for a period of 30 months from the date of the closing of the Offering.

The Company also completed Shares For Debt Transactions ("SFD Transactions") in March 2019. Under the SFD Transactions, the Company issued 14,566,175 Units to several creditors under the same terms and pricing as the Private Placement to settle $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 Transactions, 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.

Accumulated Deficit

The Company's accumulated deficit was $90,025,000 as at June 30, 2020 (December 31, 2019 – $88,552,000), with the increase in deficit of $1,473,000 reflecting the net loss for the six months ended June 30, 2020.

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, 2020, the Company had no related party expenditures.

Key management compensation

Key management includes directors and executive officers of the Company. The compensation paid or payable to key management for employee services for the three and six months ended June 30, 2020 and 2019 is shown below:

	Three months ended June 30		**Six months ended June 30**	
In thousands of dollars	**2020**	**2019**	**2020**	**2019**
Salaries, fees and benefits	5	67	18	361
Share-based compensation	15	47	28	115
Total	20	114	46	476

Of the $361,000 included in salaries, fees 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 in 2019.

Due to current and former related parties
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, 2020:

- $2,100 was payable to ABE and $27,300 was payable to Havilah for services rendered in 2019 and prior years, both of which are included in Due to Related Parties;
- $20,696 was payable to a former CEO of the Company for previously deferred salary, which is included in Accounts Payable;
- $15,641 was payable to a former CFO of the Company for outstanding management fees, which is included in Accounts Payable; and
- $266,750 was payable to a former CEO of the Company pursuant to a March 2018 settlement agreement between the parties, which is included in Accounts Payable.

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 was issued in January 2016 and is effective for periods beginning on or after January 1, 2019. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The adoption of the standard had no impact on the financial statements.

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:

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.

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, 2019 and 2018, which can be found at www.sedar.com under the Company's profile "Lupaka Gold Corp.".

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

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

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, 2020 and 2019, the Company's undiscounted contractual obligations were as follows:

In thousands of dollars	June 30, 2020	December 31, 2019
Trade and other payables (within 1 year)	22,966	21,636

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.

Interest rate risk

The Company is exposed to financial risk related to the fluctuation of interest rates.

Foreign exchange risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has financial liabilities in US Dollars. A significant change in the currency exchange rates would 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 December 31, 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, 2020, 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.

At June 30, 2020 and December 31, 2019, the Company had no financial instruments that would be categorized as Level 2 in the fair value hierarchy above, while the Due to PLI liability can be categorized as Level 3 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 six months ended June 30, 2020 and this accompanying MDA (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 Financial Risk Factors noted above, the Company's Qualitative Risk Factors are as follows:

Potential investors in the Company should be aware that investing in its securities involves a high degree of risk. The risk factors outlined in this section and elsewhere in this MDA should be carefully considered by investors when evaluating an investment in the Company. These risk factors list some, but not all, of the risks and uncertainties that may have a material adverse effect on the Company's securities. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial may also impair the Company's business operations. If the Company is unable to prevent events that have a negative effect from occurring, then its business, results of operations and financial condition and the market price of its securities could be materially and adversely affected.

Requirement for Additional Funds

The Company will require additional funds to fund ongoing administrative activities and working capital requirements for future exploration and development. The Company has no source of operating cash flow, and has no assurance that additional funding will be available to the Company to carry out the completion of exploration or for property acquisitions. There can be no assurance that the Company will be able to obtain adequate additional financing or that the terms of such financing will be favourable.

Exploration, Development and Operating Risks

Mining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, pit wall failure and other conditions involved in drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability.

Although steps to minimize risk are being taken, milling operations are subject to hazards such as fire, equipment failure or failure of retaining dams around tailings disposal areas that may result in environmental pollution and consequential liability.

The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines and no assurance can be given that minerals will be discovered in sufficient quantities or having sufficient grade to justify commercial operations or that funds required for development can be obtained on a timely basis. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will results in a profitable commercial mining program. The economics of developing gold and other mineral properties are affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of gold or other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

Environmental Risks and Other Regulatory Requirements

The current or future operations of the Company, including exploration and development activities and the commencement of production on any mineral properties in which it might acquire an interest require permits from various governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land and water use, environmental protection, mine safety and other matters.

In Peru, exploration permits are, as a practical matter, subject to the discretion of government authorities and there can be no assurance that the Company will be successful in maintaining such permits for future projects. There can be no assurance that all permits which the Company may require for future exploration activities or any construction of mining facilities or conduct of mining operations will be obtainable on reasonable terms or at all, or that the terms of such permits or applicable laws and regulations will not have an adverse effect on any exploration or mining project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

Potential Political, Social and Economic Instability in Peru

The Company’s mineral property development efforts are focused within Peru, South America. Consequently, the Company is subject to various risks associated with operating in a developing country such as Peru, including possible political or economic instability and governmental policies which may result in the impairment or loss of mineral concessions or other mineral rights or otherwise adversely affect the Company.

Peru's history since the mid-1980s has been one of political and economic instability under both democratically elected and dictatorial governments. These governments have frequently intervened in the national economy and social structure, including periodically imposing various controls the effects of which have been to restrict the ability of both domestic and foreign companies to freely operate. Peru's recent political and fiscal regimes were generally favourable to the mining industry and have been relatively stable over the past ten years or so. However, there is a risk that this will change.

The Company's interests and operations may be affected by government regulations with respect to restrictions on property access, permitting, price controls, export controls, foreign exchange controls, income taxes, foreign investment, expropriation of property, environmental legislation and mine safety. There is also a risk of other adverse developments, such as labour unrest, widespread civil unrest or rebellion, which may adversely affect the Company.

The Company's activities and results of operations may also be adversely affected by economic uncertainty associated with operating in a developing country. Peru has experienced inflation rates as high as 6% since 2002.

There can be no assurance that any governmental action will be taken to control inflationary or deflationary situations or that any such action will be effective. Future governmental action may trigger inflationary or deflationary cycles or otherwise contribute to economic uncertainty. Additionally, changes in inflation or deflation rates and governmental actions taken in response to such changes may affect currency values. Any such events or changes could have a material adverse effect on the Company's results of operations and financial condition.

In addition, labour in Peru is customarily unionized and there are risks that labour unrest or wage agreements may adversely impact the Company's operations. These and other uncertainties associated with the Company's mineral property interests being located in a developing country may make it more difficult for the Company and any future joint venture partners to obtain any required financing for exploration and development of mineral projects in Peru.

Potential Profitability Depends Upon Factors Which Are Beyond the Control of the Company

Even if the Company is able to define mineral reserves and bring a mineral project to commercial production, the potential profitability of any such producing mineral properties would be dependent upon many factors beyond the Company's control. For instance, world prices of and markets for gold and other minerals are unpredictable, highly volatile, potentially subject to governmental fixing, pegging and/or controls and respond to changes in domestic, international, political, social and economic environments. Another factor is that rates of recovery of mined ore may vary from the rate experienced in tests and a reduction in the recovery rate will adversely affect profitability and, possibly, the economic viability of a property. Profitability also depends on the costs of operations, including costs of labour, equipment, electricity, water environmental compliance or other production inputs. Such costs fluctuate in ways that cannot be predicted, or controlled, impact on profitability and may eliminate profitability altogether. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for development and other costs have become increasingly difficult, if not impossible, to project. These changes and events may materially affect the financial performance of the Company.

Key Personnel

The Company's future success depends, in significant part, upon the continued service and performance of its senior management. The experience and ability of these individuals will be a factor contributing to the Company's success and growth. The loss of the services of one or more of these individuals could have a material adverse effect on the Company's business prospects. The Company has not obtained key man insurance with respect to any of its senior management.

Title Matters, Surface Rights and Access Rights

When the Company has performed its own due diligence with respect to title of present or future concessions, this should not be construed as a guarantee of title. Projects may be subject to prior unregistered agreements of transfer or indigenous land claims, and title may be affected by undetected defects. Until any such competing interests have been determined, there can be no assurance as to the validity of title of any mining or property interests derived from or in replacement or conversion of or in connection with claims formally obtained by the Company.

Although the Company acquires the rights to some or all of the minerals in the ground subject to the tenures that it acquires, or has a right to acquire, it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mineral exploration and development activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are local populations or land owners, it is necessary, as a practical matter, to negotiate surface access. There is a risk that local communities or affected groups may take actions to delay, impede or otherwise terminate the contemplated activities of the Company. There can be no guarantee that the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out significant exploration and development activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction, which assistance may not be provided or, if provided, may not be effective. If the development of a mine becomes justifiable it will be necessary to acquire surface rights for mining, plant, tailings and mine waste disposal. There can be no assurance that the Company will be successful in acquiring any such rights.

Governmental Permits and Licensing

In the ordinary course of business, the Company and any other entities through which the Company may obtain an interest in mineral properties will be required to obtain and renew governmental permits and licenses for the operation and expansion of existing operations or for the commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process, which will also involve local communities. The duration and success of the efforts to obtain and renew permits and licenses are contingent upon many variables not within the control of the Company including the interpretation of applicable requirements implemented by the permitting or licensing authority. Permits and licenses or the renewals thereof that are necessary to the operations in which the Company has an interest, or the cost to obtain or renew permits and licenses, may exceed what the Company expects. Any unexpected delays or costs associated with the permitting and licensing process could delay the development or impede the operation of projects in which the Company acquires an interest.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. In addition, unusual or infrequent weather phenomena, terrorism, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect operations on the Company’s operations, financial condition and results of operations.

Market Financial Conditions

Current financial markets have been subject to increased volatility. Such factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the value and the price of the shares of the Company could be adversely affected.

Repatriation of Earnings

Currently there are no restrictions from Peru as to the repatriation of earnings to foreign corporate parent entities. Peru does maintain free trade agreements with a number of countries, including Canada, that allows the repatriation of earnings without subjecting those earnings to a withholding tax. However, there can be no assurance that restrictions on repatriation of earnings from Peru will not be imposed in the future.

Currency Fluctuation

The Company's current exploration and property acquisition commitments are denominated primarily in Peruvian Nuevo Soles and United States Dollars. If the Company receives revenue as a result of its interests in the Crucero Gold Project or the Invicta Gold Project, it expects that most of any such revenues will be in Peruvian Nuevos Soles and United States Dollars. This Company may in the future be exposed to foreign currency fluctuations which may materially affect its financial position and operating results.

Uninsurable Risks

In the course of exploration, development and production of mineral properties involves numerous risks, including from unexpected or unusual geological or operating conditions, may occur. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Such risks may result in liabilities that reduce or eliminate any future profitability and result in an increase in costs and a decline in value of the securities of the Company.

The Company is not insured against environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate their available funds or could exceed the funds available to pay such liabilities and result in bankruptcy. Should the Company be unable to fund fully the remedial cost of an environmental problem it might be required to enter into interim compliance measures pending completion of the required remedy.

Operating Hazards and Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. It is not always possible to fully insure against such risks and the Company may decide not to insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Conflicts of Interest

Certain directors and officers of the Company are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of the Company, and the Company's interests may be adversely affected.

No History of Earnings

The Company has no history of earnings, and there is no assurance that any other mineral properties in which it might acquire an interest will generate earnings, operate profitably or provide a return on investment in the future. The Company has not paid dividends in the past and has no plans to pay dividends for the foreseeable future. The future dividend policy of the Company will be determined by its directors.

Negative Operating Cash Flow

Since commencing its operations during the financial year ended December 31, 2010, the Company has had negative operating cash flow and incurred losses. The negative operating cash flow and losses are expected to continue for the foreseeable future. The Company may never achieve positive operating cash flow.

Acquisition of Additional Mineral Properties

If the Company abandons or loses its interests in its mineral projects or the subsidiaries that hold those interests, there is no certainty that the Company's continued listing would be approved by the TSX Venture Exchange or applicable regulatory authorities. There is also no guarantee that the TSX Venture Exchange will approve the acquisition of any additional mineral property interests by the Company, whether by way of option or otherwise, should the Company wish to acquire any additional property interests.

Competition

Significant and increasing competition exists for mining opportunities internationally. As a result of this competition, much of which is with large established mining companies with substantial capabilities and far greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mining properties or financing on terms it considers acceptable. There is no assurance that the Company will be able to acquire another mineral property of merit or that such an acquisition would become a feasible and viable development project. The Company also competes with other mining companies in the recruitment and retention of qualified employees.

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