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 September 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"), 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 September 30, 2019 and 2018, and the Company's financial condition as at September 30, 2019, as compared with the prior year-end.

The effective date of this MD&A is November 27, 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 November 27, 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 financing agreement with PLI Huaura Holdings L.P. ("PLI" and 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; 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 are without merit or 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 objectives concerning the Invicta Project can be reasonably achieved; 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; 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.

Overall Performance

Lupaka Gold is a Peru-focused mineral development and exploration company, focused on the resolution of issues and purported financial obligations arising from PLI's demand actions under the PLI Financing Agreement and the Company's resulting loss of its ownership of Invicta Mining Corp. ("IMC") to PLI.

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

- 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 (see ***Outlook***);
- 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 IMC, effective August 27, 2019 (see ***Outlook***);
- On August 27, 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;
- 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 - 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 ***Outlook***);
- 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;
- 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 that the community of Paran had signed an agreement to remove the blockade at at Invicta and that access to the Invicta site was being 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 Peru Country Manager;
- 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; and
- 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.

Outlook - Loss of ownership of Invicta Mining Corp. and the Invicta Gold Project

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 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 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, has not yet (to the Company's knowledge) taken place.

The illegal Paran Blockade has resulted in:

1) 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) a loss of contracted toll milling capacity; and
6) an inability for the Company to achieve operational cash flow and PLI Financing Agreement loan repayments as originally scheduled.

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. In this respect, the Company reserves all of its rights, including pursuing claims against the Republic of Peru under the Canada-Peru Free Trade Agreement.

PLI Financing Agreement, Notice of Default and Early Termination

By agreement dated June 30, 2017 and amended August 2, 2017, the Company executed the PLI Financing Agreement with PLI Huaura Holdings LP ("PLI") to fund the completion of development and initiate production at its Invicta Gold Project ("Invicta") owned by IMC. Pursuant to the PLI Financing Agreement the Company received net financing of US$6,100,000. PLI is an investment vehicle formerly controlled by Pandion Mine Finance, LLC ("Pandion"), which sold PLI to Lonely Mountain in July 2019.

On July 1 2019, the Company received notice that Pandion had sold their interests in PLI to Lonely Mountain.

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

Immediately after taking over ownership of PLI and Lupaka's debt, Lonely Mountain initiated foreclosure while ignoring procedures and remedies specified in the PLI Financing Agreement. In response, Lupaka Gold has commenced legal action to preserve its rights under the PLI Financing Agreement and under both New York and Peru law. The Company continues to pursue avenues to resolve the situation while simultaneously working through available mechanisms to protect its rights and assets.

On August 27, 2019, the Company announced that it believes that PLI's and Lonely Mountain's actions in pursuing (their) 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. Additionally, PLI's breaches of its contractual obligations render PLI liable for damages and other relief.

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 IMC, effective August 27, 2019.

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.

Response letter from the Company to the PLI Letter

On November 25, 2019, the Company responded to PLI, noting that the Company:

- disputes that there remains an outstanding amount due and unpaid of US$15,957,086 as of October 31, 2019 on the debt; and
- believes that PLI's early termination clause was not part of the PLI Financing Agreement for the purpose of giving PLI an opportunity to create a windfall benefit to PLI.

Lupaka continues to consider all actions available to it in response to PLI's Acceleration Notice and the Company's loss of its ownership shares of IMC and the Invicta Gold Project.

Going Concern

These unaudited condensed consolidated interim 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 September 30, 2019, the Company has a working capital deficit of $592,000 and negative cash flow from operating activities of $323,000 for the nine months ended September 30, 2019.

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 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

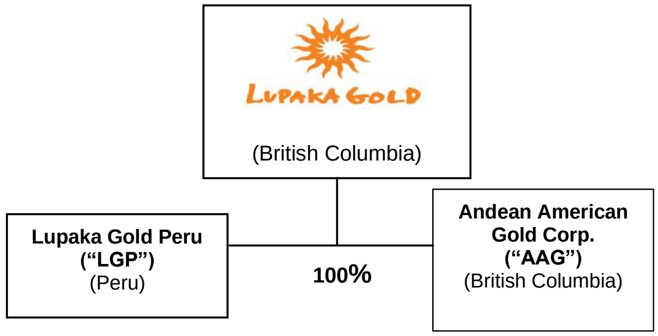
Lupaka Gold was incorporated under the *Company Act* (British Columbia) (predecessor to the British Columbia *Business Corporations Act*) on November 3, 2000 under the name "Kcrok Enterprises Ltd." and transitioned to the *Business Corporations Act* (British Columbia) on November 2, 2005. On May 4, 2010, 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 November 27, 2019, Lupaka Gold had a market capitalization of ~$3 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 MD&A Date, the number of staff with the Company was as follows:

	Sept 30 2018	Dec 31 2018	Mar 31 2019	Jun 30 2019	Sept 30 2019	MDA Date
Canada	4	3	3	3	3	3
Peru						
Administration	8	5	4	4	1	1
Development & Technical	23	10	5	1	-	-
Total	36	18	12	8	4	4

Due to the illegal Paran Blockade and PLI's actions, virtually all staff in Peru have resigned or been terminated 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, 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, the termination of the Josnitoro Gold Project JV with Hochschild Mining plc ("Hochschild"), and PLI's foreclosure actions (whereby PLI obtained all of the ownership shares of IMC), the Company has no remaining development projects.

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 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	**Q3-19**	**Q2-19**	**Q1-19**	**Q4-18**	**Q3-18**	**Q2-18**	**Q1-18**	**Q4-17**
Exploration expenses	Nil	Nil	Nil	7	1	14	(223)	298
Impairment of mineral property	Nil	Nil	Nil	Nil	Nil	Nil	Nil	(11,037)
Loss on sale of mineral property	Nil	Nil	Nil	Nil	Nil	Nil	Nil	11,037
General and administrative expenses	104	250	213	396	362	319	334	452
Write-off of IMC	15,209							
Financing expenses	15	162	160	185	181	400	288	639
Loss (gain) on metals derivative liability	Nil	(1,015)	731	(537)	(1,113)	(882)	(38)	218
Interest income	1	(1)	Nil	Nil	Nil	Nil	Nil	Nil
Loss on sale of marketable securities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	81
Gain on sale of equipment	Nil	Nil	Nil	Nil	Nil	(9)	Nil	Nil
Loss (earnings) for the quarter	15,329	(604)	1,104	51	(569)	(158)	361	1,688
Loss (earnings) per share, basic	$0.10	($0.00)	$0.01	$0.00	($0.00)	($0.00)	$0.01	$0.01
Loss (earnings) per share, diluted	N/A	($0.00)	N/A	N/A	($0.00)	($0.00)	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: the Company's write-off of IMC and the Invicta Gold Project in Q3-19, 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. 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 capitalized its Invicta development costs as of August 2017 until the loss of ownership of IMC in August 2019.

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

	Three months ended September 30		Nine months ended September 30	
	2019 ($000's)	2018 ($000's)	2019 ($000's)	2018 ($000's)
Operating expenses				
Exploration and development	–	1	–	(208)
General and administration	104	362	567	1,015
Operating loss	104	363	567	807
Write-off of IMC	15,209	–	15,209	–
Financing expenses	15	181	337	869
Gain on metals derivative liability	–	(1,113)	(284)	(2,033)
Interest income	1	–	–	–
Loss on sale of marketable securities	–	6	–	836
Gain on sale of equipment	–	–	–	(9)
Loss (earnings) for the period	15,329	(563)	15,829	470
Loss (earnings) per share – Basic and diluted	$0.10	$0.00	$0.11	($0.00)

Three months ended September 30, 2019

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

Exploration and development expenses

The low expenditures for exploration and development expenses in Q3/19 reflects the loss of the Company's ownership shares of IMC in the quarter.

General and administration expenses

All such expenses, except as noted below, relate to the Canadian operations of Lupaka and totalled $104,000 for the three months ended September 30, 2019 compared to $362,000 for the three months ended September 30, 2018, with the decrease of $258,000 being the result of:

- Salaries and benefits of $52,000 for the third quarter of 2019 compared to $165,000 for the third quarter of 2018, a decrease of $113,000 due mainly to the resignations of senior management in the third quarter or 2019;
- Professional and regulatory fees totalling $42,000 for the third quarter of 2019 compared with $136,000 for the third quarter of 2018, a decrease of $94,000;
- Shareholder and investor relations expenses totalling $2,000 for the third quarter of 2019 compared to $33,000 for the third quarter of 2018, a decrease of $31,000 reflecting decreased investor relations activities;
- Office and general expenses totaled $6,000 for the third quarter of 2019 compared to $17,000 for the third quarter of 2018, a decrease of $11,000 due to the Company no longer renting office space in Vancouver; and
- A decrease in travel costs of $9,000.

Financing expenses

$Nil ($17,000 – three months ended September 30, 2018) in loan accretion relating to the Company's bridge loans and $Nil ($17,000 – three months ended September 30, 2018) in interest expense related to the bridge loans were incurred in the three months ended September 30, 2019.

A gain on metals derivative liability of $Nil and financing expenses of $Nil relating to the PLI Financing Agreement were recorded for the three months ended September 30, 2019 compared to a gain on metals derivative liability of $1,113,000 and financing expenses of $141,000 for the same period of 2018.

A foreign exchange loss of $15,000 occurred in the three months ended September 30, 2019 compared to $17,000 in the same period of 2018.

Nine months ended September 30, 2019

Compared to the nine months ended September 30, 2018, notable expense variances were as follows:

Exploration and development expenses

The low expenditures for exploration and development expenses in the nine months ended September 30, 2019 reflects the loss of the Company's ownership shares of IMC in the quarter.

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, $257,000 in previously accrued camp-related (concession) costs were reversed in the nine months ended September 30, 2018.

General and administration expenses

All such expenses, except as noted below, relate to the Canadian operations of Lupaka Gold and totalled $567,000 for the nine months ended September 30, 2019 compared to $1,015,000 for the nine months ended September 30, 2018, with the decrease of $448,000 being the result of:

- Salaries and benefits totalling $395,000 for the first nine months of 2019 compared to $573,000 for the first nine months of 2018, a net decrease of $178,000, attributed to lower salary costs in 2019 and executive search costs of $45,000 incurred in the first nine months of 2018 that were not incurred in the first half of 2019.
- Shareholder and investor relations expenses totalling $36,000 for the first nine months of 2019 compared to $113,000 for the first nine months of 2018, a decrease of $77,000 reflecting decreased investor relations activities;
- Professional and regulatory fees totalling $87,000 for the first half of 2019, compared to $214,000 for the first nine months of 2018, a decrease of $127,000;
- Office and general expenses totaled $42,000 for the first nine months of 2019 compared to $82,000 for the first nine months of 2018, a decrease of $40,000 due to reduced activity and the Company no longer renting office space in Vancouver; and
- A decrease in travel costs of $26,000.

Financing expenses

Loan accretion expenses relating to the Company's bridge loans of $1,000 ($325,000 – nine months ended September 30, 2018) and $8,000 ($81,000 – nine months ended September 30, 2018) in interest expense related to the bridge loans were incurred in the nine months ended September 30, 2019.

A gain on the metals derivative liability of $284,000 and financing expenses of $328,000 relating to the PLI Financing Agreement were recorded for the nine months ended September 30, 2019 compared to a gain on metals derivative liability of $2,033,000 and financing expenses of $631,000 (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.

No foreign exchange gain or loss occurred in the nine months ended September 30, 2019 compared to a gain of $168,000 in the same period of 2018.

During the nine months ended September 30, 2018, the Company sold its remaining GOLD shares, realizing a total loss of $836,000 for the nine months ended September 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 $169,000 have been recorded for the nine months ended September 30, 2019 (2018 – $331,000), and allocated as follows:

	Three months ended September 30		Nine months ended September 30	
In thousands of dollars	**2019**	**2018**	**2019**	**2018**
Salaries and benefits	28	48	113	177
Shareholder and investor relations	4	7	11	19
Development costs (capitalized)				
Project Administration	10	24	40	113
Community	2	6	5	22
Total share-based compensation	44	85	169	331

LIQUIDITY AND CAPITAL RESOURCES

In thousands of dollars	**September 30, 2019**	**December 31, 2018**
Cash and cash equivalents	93	233
Working capital (defined as current assets less current liabilities)	(291)	(9,371)
Total assets	149	23,679
Total liabilities	742	10,544
Shareholders' equity	(593)	13,135

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

- Net cash used in operating activities in the nine months ended September 30, 2019 was $323,000 ($2,166,000 from operating activities – 2018), which was a product of the Company's loss for the nine months of $15,829,000 ($470,000 – 2018) and the following adjustments for items not affecting cash:
    - adjustment for the write-off of IMC of $15,209,000 – see **Outlook – Write-off of Invicta Mining Corp. and the Invicta Gold Project**;
    - loan accretion of $1,000 ($325,000 – 2018);
    - share-based compensation expense of $124,000 ($196,000 – 2018);
    - finance expense on the PLI financing of $328,000 ($630,000 – 2018); and a gain on metals derivative liability of $284,000 ($2,033,000 – 2018); offset by: an unrealized foreign exchange gain of $Nil ($168,000 – 2018); and
    - a $128,000 net increase in non-cash working capital (net decrease of $1,482,000 – 2018).

- Net cash used in investing activities in the nine months ended September 30, 2019 totalled $447,000 ($2,257,000 – 2018), which was the result of capitalized mineral property development cost expenditures at Invicta. In the nine months ended September 30, 2018, $5,452,000 was used for mineral property costs at Invicta, $200,000 was used for purchases of equipment ($Nil – 2019) and $3,395,000 in proceeds ($Nil – 2019) was received from the sale of marketable securities. All Invicta-related costs had been capitalized after July 2017.

- Net cash from financing activities in the nine months ended September 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 nine months ended September 30, 2018, the Company received proceeds from Tranche 3 of the PLI Financing of $3,148,000, $414,000 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 September 30, 2019 totalled $742,000 ($9,786,000 – December 31, 2018), and were comprised of: the current portion of accounts payable and accrued liabilities of $450,000 ($2,404,000 – December 31, 2018), amounts due to related parties totalling $44,000 ($62,000 – December 31, 2018), and a settlement liability of $248,000 ($312,000 – December 31, 2018) for severance payments to a former CEO and a former employee of the Company. 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.

In the three months ended September 30, 2019, the Company adjusted the carrying value of all its assets and liabilities relating to the Invicta mineral property under development to $Nil due to the seizure of IMC, including cash ($150,000 – December 31, 2018), trade and other receivables ($48,000 – December 31, 2018), inventory ($71,000 – December 31, 2018), equipment, mineral property under development ($22,149,000 – December 31, 2018), accounts payable relating to the mineral property ($1,857,000 – December 31, 2018), metals derivative liability and deferred revenue from the PLI Financing Agreement (current portions were $3,413,000 and $3,056,000 respectively – December 31, 2018) and the discounted provision for reclamation and closure cost obligations of ($758,000 – December 31, 2018).

Receivable due from IMC – with the Company's loss of its ownership of IMC, net intercompany advances previously made by Lupaka or its corporate assignees to IMC total approximately US$11 Million. However, management has estimated that the likelihood of collectability from IMC and/or its owners is uncertain and subject to legal proceedings. Consequently, the Company's September 30, 2019 recorded carrying value for accounting purposes for the IMC receivable is $Nil.

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 nine months ended September 30, 2019 and the year ended December 31, 2018:

	Nine months ended September 30, 2019		**Year ended December 31, 2018**	
In thousands of dollars	**CAD $**	**USD $**	**CAD $**	**USD $**
Balance, beginning of period	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	–
Balance, June 30, 2019	3,254	2,486		
Adjustment for write-off of IMC and its net assets	(3,254)	(2,486)		
Balance, end of period	–	–	3,056	2,240

For the nine months ended September 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). With the Company's loss of its ownership of IMC and all of its assets and liabilities, the Company has adjusted the carrying value of its deferred revenue to $Nil.

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, September 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, September 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:
    - 28,240,493 common share purchase warrants, with a weighted average exercise price of $0.11; and
    - 13,235,000 stock options, with exercise prices ranging from $0.05 to $0.23, of which 9,197,500 options are vested.

As at September 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 September 30, 2019, the Company had 28,240,493 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 13,235,000 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 $70,348,000 as at September 30, 2019 ($54,519,000 – December 31, 2018), with the increase in deficit of $15,829,000 reflecting the net loss for the nine months ended September 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 nine months ended September 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 September 30		Nine months ended September 30	
	2019	**2018**	**2019**	**2018**
In thousands of dollars	**$**	**$**	**$**	**$**
Salaries, fees and benefits	21	177	382	477
Share-based compensation	36	69	151	273
Total	57	246	533	750

Of the $395,000 included in salaries and benefits during the nine months ended September 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 September 30, 2019, $44,000 (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 paid in April 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 September 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 September 30, 2019 and December 31, 2018, the Company's undiscounted contractual obligations and their maturity dates were as:

In thousands of dollars	September 30, 2019 $	December 31, 2018 $
Trade and other payables (within 1 year)	434	2,778
Long-term liability (1 - 2 years)	308	–
Bridge Loans (1 year)	–	540
Deferred revenue and derivative liability (within 5 years)	–	9,549
Total	742	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 September 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 September 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 September 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 nine months ended September 30, 2019 and the year ended December 31, 2018:

	Nine months ended September 30, 2019		**Year ended December 31, 2018**	
In thousands of dollars	**CAD $**	**USD $**	**CAD $**	**USD $**
Balance, beginning of period	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	–
Balance, June 30, 2019	3,001	2,293		
Adjustment for write-off of IMC and its net assets	(3,001)	(2,293)		
Balance, end of period	–	–	3,413	2,502

For the nine months ended September 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). With the Company's loss of its ownership of IMC and all of its assets and liabilities, the Company has adjusted the carrying value of its metals derivative liability to $Nil.

At September 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 September 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.