

## 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 interim financial statements of Lupaka Gold Corp. ("Lupaka Gold") and the notes thereto for the three ended March 31, 2023 and 2022 (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, 2022, in addition to any new accounting policies applicable for the period ended March 31, 2023.

The Company's certifying officers are responsible for ensuring that the Financial Statements and MD&A 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 MD&A 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 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 USA Limited ("LPKUSA", USA), Lupaka Gold Peru S.A.C. ("LGP"), Andean Exploraciones S.A.C. (Peru) and Greenhydro S.A.C. (Peru).

This MD&A provides management's comments on Lupaka's operations for the threes ended March 31, 2023 and 2022, and the Company's financial condition as of March 31, 2023, as compared with the prior year-end.

**The effective date of this MD&A is May 10, 2023** (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, which can be found at [www.sedar.com](http://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 May 10, 2023.

### Forward-Looking Statements

Statements contained in this MD&A that are not historical facts are "forward-looking statements" or "forward-looking information" (collectively, "**Forward-Looking Information**") (within the meaning of applicable Canadian securities legislation) that involve risks and uncertainties. Forward-Looking Information includes, but is not limited to, statements relating to: the amount of financings needed; management's expectations regarding the ability to raise equity capital and/or any outcome of the Company's Arbitration Claim against the Republic of Peru; 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 or the USA 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 USA and Canadian currencies in 2023 will be consistent with the Company's expectations; that the demand for gold and other metals potentially 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 or the USA 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 USA 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 claim against the Republic of Peru under the 2009 Canada-Peru Free Trade Agreement (the "Arbitration Claim").

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

- On March 27, 2023, the Arbitration Claim in-person proceedings took place in front of the appointed Arbitration Tribunal in Washington, DC, and concluded on April 3, 2023 (see [www.lupakagold.com/projects/arbitration](http://www.lupakagold.com/projects/arbitration));
- On October 28, 2022, the Company announced that it had closed a non-brokered private placement raising gross proceeds of \$200,000 and issuing 2,000,000 units at a price of \$0.10 per unit (see *Liquidity and Capital Resources*);
- On October 7, 2022, the Company revised its Arbitration Claim update of September 29, 2022 (see [www.lupakagold.com/projects/arbitration](http://www.lupakagold.com/projects/arbitration));
- In June 2022, the Company issued contingent value rights (each, a "CVR") to its shareholders of record as of June 8, 2022 (see *Liquidity and Capital Resources/Share Capital*); and
- On June 10, 2022, the Company held its annual general and special meeting of shareholders, at which time shareholders elected directors for the ensuing year and approved a special resolution authorizing a consolidation of the Company's common shares on the basis of one post-consolidation common share for every ten pre-consolidation common shares of the Company (see *Liquidity and Capital Resources/Share Capital*).

## **Outlook**

Management is continuing to actively seek out additional exploration projects for potential development and investment, in addition to waiting on the decision of the Arbitration Tribunal regarding the Company's Claim against the Republic of Peru.

### **Loss of Invicta and the Company's Arbitration Claim**

By agreement with PLI Huará Holdings LP ("PLI") dated June 30, 2016 and amended August 2, 2017, the Company executed the PLI Financing Agreement with PLI to fund US\$7 million for the completion of development and to initiate production at Invicta Mining Corp.'s ("IMC") Invicta Gold Project ("Invicta").

In October 2018, Invicta was significantly impacted by an illegal blockade and demonstrations by a local community of Paran (the "Paran Blockade"). Management is not aware whether or not the Paran Blockade remains in place and/or continues to prevent access to the Invicta mine 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 the Invicta minesite, 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;
- 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; and

- 8) The Company received notice dated 25 August 2019, that PLI had completed foreclosure proceedings and seized the shares of Invicta Mining S.A.C. (“IMC”), the Company’s previously wholly-owned subsidiary.

*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 in August 2019.*

**Arbitration Claim made under the 2009 Canada-Peru Free Trade Agreement (“CPFTA”)**

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 October 21, 2019, the Company delivered to the Peruvian Minister of Economy and Finance a Request for Arbitration in accordance with the CPFTA. In this respect, the Company has engaged international law firms Lalive SA and Boles Schiller Flexner LLP to represent its interests in the Arbitration Claim, which primarily centers on a claim for US\$47.7 Million plus interest at a rate of LIBOR+2% compounded annually from August 27, 2019 until payment is received by Lupaka.

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. The Arbitration Funding Agreement allows for BWA to provide up to USD\$4.1 million to support the arbitration and related costs. Amounts advanced by BWA are repayable only upon completion of a successful claim and recovery. The actual amount received by BWA will vary in accordance with the actual settlement received by the Company from the Republic of Peru. 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.

On October 29, 2020, the Company announced that it had completed the next step in its arbitration claim against the Republic of Peru. The Company has now submitted a Request for Arbitration in accordance with Article 36 of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (“ICSID”) and Article 824 of the CPFTA. This announcement was a follow up to Lupaka’s earlier news releases on December 16, 2019 regarding the filing of a Notice of Intent to Submit a Claim to Arbitration and on August 4, 2021 regarding Lupaka entering into a Finance Agreement for its Arbitration Claim under the CPFTA. The Request has been filed with ICSID in Washington D.C., USA.

In December 2020, the Company provided an update regarding progress in the arbitration and announced that it had received notification that the Republic of Peru had appointed their arbitrator for the arbitration process.

In February 2021, the third and final arbitrator position was filled. This position is also the chairman of the committee. With the constitution of the Arbitration Tribunal now complete, the arbitration process can continue to proceed forward. The next step is assembly of supporting materials by each side in the arbitration.

By May 2021, the Company had selected a Quantum Expert, who is tasked with preparing a detailed evaluation of the Company’s claim; a definitive time schedule was agreed to between the parties and the ICSID Tribunal.

By October 2021, the first round of comprehensive submissions supporting Lupaka’s claim were submitted to the Arbitration Tribunal. This began a process of updated Lupaka claim submissions and responses from the Republic of Peru and its legal team.

In 2022, the Company, its legal team at Lalive and other advisors and experts continued to build the Company’s Arbitration Claim. Document review, Expert reports and interviews with former employees and related personnel progressed on schedule and with good success through 2022.

From March 27 to April 3, 2023, the arbitration hearing stage of the Company’s Arbitration Claim against the Republic of Peru convened in Washington, D.C. With the completion of the arbitration hearings, the Tribunal will deliberate and grant the Parties an opportunity to answer specific questions the Tribunal may have. The Tribunal has not yet provided the Parties with any indication as to their timeline for any Arbitration Award decision.

Some relevant points established in the Company's Arbitration Claim, are as follows:

1. The police developed a comprehensive and detailed plan to remove the illegal blockade and restore the Company's access to the mine. Permission to execute this plan was requested from senior authorities in Lima but permission was not provided;
2. Many meetings were held and correspondence traded between the Company's representatives and multiple levels of the Peruvian government. Despite the evidence that the situation should be resolved by the authorities, this was not done;
3. The company that foreclosed on and now owns the Invicta Project expressed a high level of confidence that they would have the community issues resolved and full access to the mine in a very short time frame. To the best of our knowledge the illegal blockade remains in place today and the group that erected the illegal blockade is currently exploiting the mine; and
4. The Company had all key permits in place as well as valid agreements with the two communities owning the surface rights on which mining activities were to take place and was about to go into full production when the illegal and violent blockade occurred.

#### *Background to the Arbitration Claim*

The dispute arises out of Peru's breaches of the FTA in relation to Lupaka's investments in Peru. More specifically, the dispute stems from the Republic of Peru's actions, namely the illegal acts of its subdivision, the Community of Parán, which illegally invaded Lupaka's project held through IMC and set up a permanent blockade to the site, as well as from the lack of support from the Peruvian police force, prosecutors and central government officials to remove the illegal blockade and restore Lupaka's rights to its investment.

By September 2018, IMC had developed approximately 3,000 meters of underground workings, secured community agreements from communities that own the superficial lands within the project area, completed a 29-kilometer access road sufficient to handle 40-tonne ore trucks and completed numerous metallurgical tests ranging in size from a few hundred to a few thousand tonnes. In September 2018, IMC requested that the final inspection of the completed works take place in order to allow exploitation to begin.

In mid-October 2018, just before the final inspection was to take place, the neighboring Community of Parán's gunmen forced IMC's personnel from the project's area including from its offices located at the camp and erected a blockade thereby preventing access to the mine and camp. The blockade was erected on the road built by the mining company and on the Community of Lacsanga's recorded property. IMC had existing agreements with the Community of Lacsanga. The Community of Parán's blockade participants were often violent and did not hesitate to fire rifles and threaten Lacsanga's community members and IMC's employees. Both Lacsanga and IMC requested that authorities assist to remove the blockade and restore access to the mine. This assistance was not provided.

Funding for IMC's development of the mine was provided through a gold loan. During the blockade period, Lupaka was scheduled to have been processing material, creating cashflow and paying down the loan. It was unable to do so because of the illegal blockade. Ultimately, ten months later in August of 2019, with no apparent progress being made in the conflict, the lender foreclosed on the loan and Lupaka lost its entire investment.

With respect to the arbitration proceedings, Lupaka is represented by the international law firms LALIVE (London, UK) and Boles Schiller Flexner (New York City, USA), and has the financial backing of Bench Walk Advisors (London, UK).

Please visit the Company's website at [www.lupakagold.cm/projects/arbitration](http://www.lupakagold.cm/projects/arbitration) for ongoing updates regarding the Company's Arbitration Claim.

#### **Going Concern**

The 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 the 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 March 31, 2023, the Company had a working capital deficit (current assets less current liabilities) of \$685,424 (December 31, 2022 - \$660,874) and accumulated deficit of \$68,551,536 (December 31, 2022 – \$68,517,452). For the three months ended March 31, 2023, the Company had a net loss of \$34,084 (2022 – \$65,382) and used cash in operating activities of \$58,359 (2022 – \$37,810).

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 through the issuance of shares (see **Liquidity and Capital Resources**) or alternative financing, which it has been successful in doing so in the past. There can be no assurance 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.

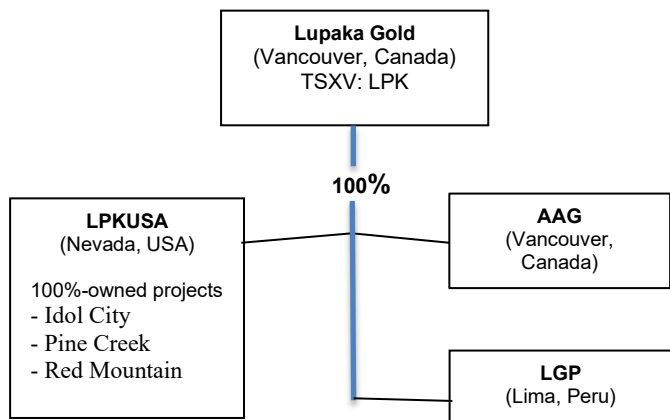
**Corporate Structure**

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 are located at 1569 Dempsey Road, North Vancouver, BC V7K 1S8. Lupaka Gold’s common shares trade in Canada on the TSX Venture Exchange (“TSXV”) 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: LPKUSA, a company incorporated under the laws of Nevada, USA; LGP, a company incorporated under the laws of the Republic of Peru; and 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 MD&A Date. The entities below are active unless otherwise noted.



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

### *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:

	January 1, 2021 to March 31, 2023	MD&A Date
<i>Canada</i>	3	3
<i>Peru</i>	1	1
Total	4	4

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*

As of the MD&A Date, the Company's Board of Directors was comprised of directors Gordon L. Ellis (Chairman), Norman Keevil III, Lucio Pareja, Luquman Shaheen, and Mario Stifano; and the Company's officers were Gordon Ellis (CEO and President) and Darryl Jones (CFO and Corporate Secretary).

## **Business of the Company**

The Company is a mineral exploration and development company. Its principal activities consist of evaluating, acquiring, exploring and developing 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**

### **Oregon, USA**

In December 2021, the Company acquired three potential gold properties in the state of Oregon, USA. All three properties are located in the south-east corner of the state in a similar geological environment to the prolific Battle Mountain - Eureka trend in Northern Nevada. Ownership of these properties is held by LPKUSA and consulting, legal and staking expenditures totaling \$19,625 have been capitalized to mineral properties to March 31, 2023 (December 31, 2022 - \$19,642).

The three properties are:

#### ***Idol City***

The Idol City property contains epigenetic gold mineralization associated with two zones of north-east trending, hydrothermal brecciation and alteration within Tertiary intermediate lavas that were intruded by rhyolite dikes, plugs and quartz porphyry granitic bodies. Previous drilling by Noranda penetrated several zones of mineralization over significant widths, including an interval of 43 meters grading 1.37 grams of gold per tonne.

Several targets remain untested on the property, including portions of both exposed breccias, possible unexposed breccias, structural intersections and a hypothetical gold-rich, Au-arsenopyrite zone that might occur at depth, in a vertically zoned system. These targets merit further investigation, including an aggressive drilling program.

#### ***Pine Creek***

The property lies at the intersection of two NNW and WNW trending, regional, structural lineaments and is underlain by a Miocene sequence of intermediate volcanics, ash flow tuffs, tuffaceous sediments, siltstones

and local (sulfide-bearing) jasper bodies. A pronounced zone of silicification and irregular jasper bodies occurs at the intersection of two structural lineaments. A 1989 soil survey outlined an anomalous zone of gold and coincident molybdenum, 427 meters long and 305 meters wide.

During the late 1980's and 1990's Chevron and Battle Mountain drilled ten and nine holes, respectively, on the property. Seven of Chevron's ten holes reported anomalous gold. One of the Battle Mountain drill holes intersected nine meters grading 1.20 grams of gold per tonne. Previous exploration indicates that the area of interest may exceed 1115 hectares. This property merits further investigation, including a systematic exploration program.

### ***Red Mountain***

The Red Mountain property is located in southern Oregon, close to the Nevada border and lies at the intersection of two major, NE and NW trending structural lineaments; the Black Rock Structural Zone that hosts the Hog Ranch deposit and the Orevada Rift (Carlin-Buckskin-McDermitt Trend) that hosts numerous, well-known deposits).

Two (Tertiary age) mounds of dumbbell-shaped chalcedonic and opaline sinter outcrop, approximately 900 meters long by 300 meters wide, are flanked by a mixture of Quaternary alluvial sediments and extensive zones of welded, intra-caldera tuff and flow-banded rhyolite dome facies.

Geologic mapping and geochemical surveys conducted by a previous owner have demonstrated anomalous values for mercury, arsenic and gold in a hot-spring-type chalcedonic /opaline sinter on the edge of a caldera, at the intersection of two major structural lineaments. This property merits further investigation to define and explore hot spring-type targets, analogous to the Hog Ranch Mine Caldera environment.

All three properties are held in the name of the Company's wholly-owned US subsidiary, Lupaka USA Limited. These properties were acquired through a staking process for nominal cash costs. The staking was undertaken by High Calibre Exploration & Development Ltd. ("High Calibre"), which is contracted by the Company to provide consulting geologist and QP services. Additionally, High Calibre is entitled to finders' fee compensation should any of these properties be sold by the Company.

Qualified Person - William Burstow, a Qualified Person as defined by National Instrument 43-101 Standards of Disclosure for Mineral Projects, has read and approved all technical and scientific information contained in this news release. Mr. Burstow is the owner of High Calibre.

Management is continuing to actively seek out additional gold exploration projects for potential development and investment.

### **British Columbia, Canada**

In July 2022, the Company entered into a non-binding, 60-day exclusive Letter of Intent with Alterra Mining Inc. ("Alterra") to enter into an Option Agreement whereby Lupaka would be able to earn a 100 percent interest in Alterra's CCN Property in the Kamloops, BC mining district. The CCN Property is comprised of 5,777 hectares, including 5,252 hectares directly controlled by Alterra and 524 hectares held by Alterra under option from third parties. Prior to the expiry of the 60-day exclusive period, the Company decided not to pursue the Alterra Letter of Intent any further.



## Selected Financial Information

The following information has been extracted from the Company's audited consolidated financial statements for the years ended December 31, 2022, 2021 and 2020:

*In thousands of Canadian Dollars, except for per share amounts*

<b>Years ended December 31,</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Gain (loss) on re-measurement of PLI liability	Nil	Nil	(1,353)
Discharge of PLI and other liabilities	Nil	Nil	22,225
Exploration	Nil	(3)	Nil
General and administrative expenses	(407)	(212)	(202)
Financing income (expenses)	(15)	(1)	3
Earnings (loss) for the year	(422)	(216)	20,673
Earnings (loss) per share, basic	(\$0.03)	(\$0.01)	\$1.37
Earnings per share, diluted	N/A	N/A	\$1.37

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*

<b>Three months ended</b>	<b>Q1-23</b>	<b>Q4-22</b>	<b>Q3-22</b>	<b>Q2-22</b>	<b>Q1-22</b>	<b>Q4-21</b>	<b>Q3-21</b>	<b>Q2-21</b>
Exploration expenses	(1)	Nil	Nil	Nil	Nil	(3)	Nil	Nil
General and administrative expenses	(34)	(62)	(70)	(207)	(68)	(100)	(33)	(47)
Financing income (expenses)	1	2	(14)	(6)	3	Nil	(6)	3
Loss for the quarter	(34)	(60)	(84)	(213)	(65)	(103)	(39)	(44)
Loss per share, basic and diluted	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)	(0.00)	(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: legal fees incurred for the issuance of CVRs in Q2-22 and share-based compensation costs ("SBC") incurred due to share price variations 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 has two reportable segments. Canada includes the Canadian corporate office and the Company's management, and the United States includes its exploration projects. The Company's reportable segments are based on the reports reviewed by management that are used to make strategic decisions.

Financial results for the three months ended March 31, 2023 and 2022 are summarized as follows:

<i>In thousands of dollars</i>	<b>Three months ended</b>	
	<b>March 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Exploration expenses</b>		
Project administration	1,051	-
<b>Operating expenses</b>		
General and administration	33,616	68,209
<b>Operating loss</b>	(34,667)	(68,209)
Foreign exchange gain	583	2,827
<b>Earnings (loss) for the period</b>	<b>(34,084)</b>	<b>(65,382)</b>

### **Three months ended March 31, 2023**

Compared to the three months ended March 31, 2022, notable expense variances were as follows:

#### *General and administration expenses*

The Company's general and administrative expenses totalled \$33,616 for the three months ended March 31, 2023 compared to \$68,209 for the three months ended March 31, 2022, with the decrease of \$34,593 primarily being the result of:

- Management fees of \$12,988 for Q1-23 compared to \$32,230 for Q1-22, a decrease of \$19,242, due to decreased share-based compensation in Q1-23;
- Professional and regulatory fees totalling \$7,783 for Q1-23 compared with \$22,451 for Q1-22, a decrease of \$14,668 due mainly to decreased legal fees; and
- Shareholder and investor relations costs of \$1,122 for Q1-23 compared with \$2,377 for Q1-22, a decrease of \$1,255; partially offset by
- Office and general admin costs of \$2,505 for Q1-23 compared with \$1,410 for Q1-22, an increase of \$1,095.

#### *Financing expenses*

A foreign exchange gain of \$583 occurred in the three months ended March 31, 2023 (2022 - \$2,827).

#### *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. The volatility was calculated using historical volatility of comparable companies as an expectation of the Company's future volatility.

Non-cash share-based compensation costs have been recorded for the three months ended March 31, 2023 and 2022 and allocated as follows:

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Management fees	7,533	22,006
Shareholder and investor relations	924	1,983
Consulting	1,076	3,568
Total share-based compensation	9,533	27,557

## **LIQUIDITY AND CAPITAL RESOURCES**

<i>In thousands of dollars</i>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Cash	12,236	70,595
Working capital (defined as current assets less current liabilities)	(685,424)	(660,874)
Total assets	47,261	104,175
Total liabilities	713,060	745,407
Shareholders' equity	(665,799)	(641,232)

The principal changes in the Company's cash during the three months ended March 31, 2023 were as follows:

- Net cash used in operating activities in the three months ended March 31, 2023 was \$58,359 (2022 - \$37,810), which was a product of the Company's earnings for the three months of \$34,084 (2022 - \$65,382) and the following adjustments for items not affecting cash:
  - share-based compensation expense of \$9,533 (2022 - \$27,557); and
  - a net decrease of \$33,808 (2022 - \$15 net increase) in non-cash working capital.

- The Company had no financing or investing activities in the first three months of 2023 or 2022.

Current liabilities at March 31, 2023 totalled \$713,060 (March 31, 2022 – \$745,407), and were comprised of: accounts payable and accrued liabilities of \$693,110 (December 31, 2022 – \$726,507) including severance payments to a former CEO of the Company, and amounts due to related parties totalling \$19,950 (December 31, 2022 – \$18,900).

### **Outstanding Shares**

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

- basic – 18,027,784 common shares
- fully-diluted – 22,230,951 common shares, after including:
  - 2,600,000 common share purchase warrants, with a weighted average exercise price of \$0.31; and
  - 1,603,167 stock options, with exercise prices ranging from \$0.09 to \$2.30, of which 1,288,167 options are vested.

As of March 31, 2023 and December 31, 2022, the Company’s aggregate recorded common share capital amount was \$60,015,245 representing 18,027,284 issued and outstanding common shares without par value.

As of March 31, 2023 and December 31, 2022, the Company had 2,600,000 share purchase warrants outstanding at a weighted average exercise price of \$0.42 and 1,603,167 stock options outstanding at a weighted average exercise price of \$0.59.

### ***Share Capital***

#### Consolidation of the Company’s common shares

At the Company’s annual general and special meeting of the Company’s shareholders held on June 10, 2022 (the “Meeting”), the shareholders approved: a consolidation of the common shares in the capital of the Company on the basis of one (1) post-consolidation common share for every ten (10) pre-consolidation common shares (the “Consolidation”); and a necessary amendment of the Company’s Articles. On August 15, 2022, the effective date of the Consolidation, trading of the Company’s post-Consolidation shares commenced on August 15, 2022 with a new CUSIP number of 550435309 and a new ISIN number of CA5504353098. The Company’s name and stock symbol remain unchanged following the Consolidation. All information related to the Company’s common shares, options, warrants and loss per share have been retroactively adjusted to give effect to the Consolidation for all periods presented. Immediately following the Consolidation, the number of common shares outstanding was reduced to 16,027,770 shares issued and outstanding.

#### Private placements

There were no share issuances in the three months ended March 31, 2023 or 2022.

#### *October 2022*

On October 28, 2022, the Company announced that it had closed a non-brokered private placement. Upon the closing, the Company issued 2,000,000 units at a price of \$0.10 per unit for gross proceeds of \$200,000. Each unit consists of one common share of the Company and one transferable common share purchase warrant entitling the holder to purchase an additional common share of the Company at a price of \$0.25 for a period of three years from the closing. All of the shares issued and any warrant shares were subject to a hold period expiring four months and one day from the closing in accordance with applicable securities laws. No finder’s fees were paid in connection with this private placement.

The proceeds of the private placement will be used for property acquisitions and development expenditures, and general working capital.

#### Contingent value rights

In June 2022, the Company issued contingent value rights (each, a “CVR”) to its shareholders. Each CVR entitles the holder to receive a pro rata portion of any net amount available for distribution if the Company receives a cash award (the “Award”) from the Company’s Arbitration Claim. The net amount will be calculated by deducting from the Award proceeds certain amounts including the fees of the Company’s Arbitration Claim counsel and BWA, and other payables and amounts to be retained by the Company for

working capital and other corporate purposes, and a de minimus threshold will be applied to determine if a payment will be made to the CVR holders.

The Company issued the CVRs at a deemed value of \$0.000001 per CVR by way of a one-time special dividend to shareholders holding common shares of the Company as of June 8, 2022 (the “Record Date”). Each shareholder as of the Record Date received one CVR for each common share of the Company held. The CVRs are governed by the terms of an indenture entered into between the Company and Computershare Trust Company of Canada.

The issuance of the CVRs by the Company is intended to crystallize the entitlement of shareholders as of the Record Date to a portion of any of the Award received by the Company, if any, and prevent dilution of this entitlement through future share issuances of the Company prior to any Award being received. The issuance of the CVRs is also expected to provide the Company with an enhanced ability to raise equity financing and pursue acquisitions and development of mineral properties.

#### **Accumulated Deficit**

The Company's accumulated deficit was \$68,551,536 as of March 31, 2023 (December 31, 2022 – \$68,517,452), with the increase in deficit of \$34,084 reflecting the net loss for the three months ended March 31, 2023.

#### **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 three-month periods ended March 31, 2023 and 2022, the Company incurred \$1,000 in each period in management fees with DFJ Consulting Services Ltd., a company owned by the CFO of the Company.

#### *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 months ended March 31, 2023 and 2022 is shown below:

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Management fees	1,000	1,000
Share-based compensation	5,995	18,238
<b>Total</b>	<b>6,995</b>	<b>19,238</b>

#### *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 March 31, 2023: \$1,050 was payable to the Company's CFO for outstanding management fees and GST, which is included in Due to Related Parties; \$16,800 was payable for consulting and advisory services to Havilah Holdings Inc. (“Havilah”), which is included in Due to Related Parties. Havilah is a co-owner of K-Rok Minerals Inc., a >10% shareholder of the Company, which is owned 60% by ABE, 35% by Havilah and 5% by another individual. ABE is wholly-owned by Gordann Consultants Ltd., a company in which the Company's Chairman, CEO and a director owns a 51% interest and his wife owns a 49% interest; and \$293,425 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.

## Segmented information

The Company has two reportable segments. Canada includes the Canadian corporate office and the Company's management. The United States includes its exploration projects. The Company's reportable segments are based on the reports reviewed by management that are used to make strategic decisions. Loss for the three months ended March 31, 2023 and total assets by segments are as follows:

	Three months ended March 31	
	2023	2022
	\$	\$
Loss		
Canada	33,033	65,382
USA	1,051	-
	34,084	65,382
	As at	As at
	March 31,	December 31,
	2023	2022
	\$	\$
Total assets		
Canada	27,636	84,533
United States	19,625	19,642
	47,261	104,175

### Adoption of new and amended IFRS pronouncements

There are no recently adopted or pending accounting pronouncements that are expected to have a material impact on the Company's 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.

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, 2022 and 2021, which can be found at [www.sedar.com](http://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 March 31, 2023 and December 31, 2022, the Company's undiscounted contractual obligations and their maturity dates were as follows:

	March 31, 2023	December 31, 2022
	\$	\$
Trade and other payables (within 1 year)	713,060	745,407

## 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. 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 March 31, 2023, the Company had no financial instruments that would be categorized as Level 1, 2 or 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 audited consolidated financial statements for the period ended March 31, 2023 and this accompanying MD&A (together, the "Annual 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 Annual Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

### **RISK FACTORS**

In addition to the Going Concern assumption/risk and the Financial Risk Factors noted above, the Company's 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 MD&A 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.

### ***Contingent Value Rights and Arbitration Award***

The Company advises that the arbitration continues to progress per the agreed to schedule and that there have been no material developments in the status of the Arbitration since the Company's most recent update. There can be no assurances that the Company will be successful in its Arbitration claim or receive any Arbitration Award. Further, even if an Arbitration award is received by the Company, there can be no assurances that any Award will be in an amount sufficient to result in any payment to the CVR holders.

### ***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 result 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.

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***

The Company's mineral property development efforts are focused within North and South America. Consequently, the Company is subject to various risks associated with operating in developing countries, 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.

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.

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 may be 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 landowners, 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 conditions 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***

Restrictions may exist by countries within which the Company has operations as to the repatriation of earnings to foreign corporate parent entities. While free trade agreements do exist between countries, including Canada, that allows the repatriation of earnings without subjecting those earnings to a withholding tax, there can be no assurance that restrictions on repatriation of earnings will not be imposed in the future.

### ***Currency Fluctuation***

The 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.

###