

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Introduction

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of Lupaka Gold Corp. ("Lupaka Gold") and the notes thereto for the three months ended March 31, 2014 and 2013 (collectively referred to hereafter as the "interim financial statements").

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

This MD&A provides management's comments on Lupaka's operations for the three month periods ended March 31, 2014 and 2013, and the Company's financial condition as at March 31, 2014, as compared with the preceding year-end.

**The effective date of this MD&A is May 9, 2014** (the "MD&A Date").

For a complete understanding of the Company's business environment, risks and uncertainties and the effect of accounting estimates on its results of operations and financial condition, this MD&A should be read together with the Company's interim financial statements and its 2013 Annual Information Form (the "AIF"), each of which can be found at [www.sedar.com](http://www.sedar.com).

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

The interim financial statements and the MD&A were approved by the Board of Directors on May 9, 2014.

### Forward-Looking Statements

Statements contained in this MD&A that are not historical facts are "forward-looking statements" or "forward-looking information" (collectively, "**Forward-Looking Information**") (within the meaning of applicable Canadian securities legislation) that involve risks and uncertainties. Forward-Looking Information includes, but is not limited to, statements relating to the amount of financings; and management's expectations regarding the ability to raise equity capital; expected use of proceeds; business objectives and strategies; the assets and liabilities of Lupaka and its subsidiaries; the acquisition of interests in mineral properties; the timing of completion and success of community relations (including with respect to agreements with local communities), exploration activities, permitting and related programs on the Crucero Gold Project, the Invicta Gold Project and the Josnitoro Gold Project; requirements for additional capital; the estimation of mineral resources; the effect of government policies and announcements and changes to applicable laws in Peru on the Company's operations; and the value of the Company's shares in Southern Legacy Minerals Inc. In certain cases, Forward-Looking Information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

The Forward-Looking Information is based on certain assumptions that the Company believes are reasonable, including: with respect to any mineral resource estimates, the key assumptions and parameters on which such estimates are based; the assumption that any additional financing needed will be available on reasonable terms; the exchange rates of the U.S., Canadian and Peruvian currencies in 2014 will be consistent with the Company's expectations; that the Company's current exploration and other objectives concerning the Crucero Gold Project, the Invicta Gold Project, the Josnitoro Gold Project and the Company's shareholdings of Southern Legacy Minerals Inc. can be achieved; that the results of exploration and other activities will be consistent with management's expectations; that the demand for

gold will be sustained; that general business and economic conditions will not change in a material adverse manner; that the Company and its subsidiaries will not experience any material accident, labour dispute or failure or shortage of equipment; that all necessary community and government approvals for the planned exploration of the Crucero Gold Project, the Invicta Gold Project and the Josnitoro Gold Project will be obtained in a timely manner and on acceptable terms; and that the Company's interests in Peru will not be adversely affected by political, social or economic instability in Peru or by changes in the government of Peru or its politics and tax policies. Other assumptions are discussed throughout this MD&A.

Forward-Looking Information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the Forward-Looking Information. Such risks and other factors include, among others: risks related to the completion of financings and the use of proceeds; that mineral resources are not as estimated; unexpected variations in mineral resources, grade or recovery rates; operations and contractual rights and obligations; actual results of the Company's exploration activities being different than those expected by management; changes in exploration programs based upon results of exploration; changes in estimated mineral resources; future prices of metals; currency and interest rate fluctuations; financial risk exposure of the Company such as credit and liquidity risk; availability of third party contractors; increased costs of labour, equipment or materials; increased costs as a result of changes in project parameters; availability of equipment; failure of equipment to operate as anticipated; accidents, effects of weather and other natural phenomena and other risks of the mineral exploration industry; political risks involving the Company's operations in a foreign jurisdiction; environmental risks; risks related to community relations and activities of stakeholders; and unanticipated delays in obtaining or failure to obtain community, governmental, judicial or regulatory approvals, or financing; as well as those factors referenced in the section entitled "Risk Factors" in this MD&A. Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in Forward-Looking Information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that Forward-Looking Information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on Forward-Looking Information.

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

### **Cautionary Note to US Investors**

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

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

Reserves. Investors are also cautioned not to assume that all or any part of an "Inferred Mineral Resource" exists, or is economically or legally mineable.

### **Qualified Person**

The technical information in this document has been reviewed and approved by Julio Castañeda, Member of Australian Institute of Geologists and the President of Lupaka Peru, a Peruvian subsidiary of the Company, and a Qualified Person as defined by National Instrument 43-101 ("NI 43-101"). Mr. Castañeda is responsible for the preparation and/or verification of the technical disclosure in this document unless otherwise noted.

### **Overall Performance**

The Company is a mineral exploration company involved in the acquisition and assessment of mineral properties in Peru. Lupaka Gold's common shares are listed for trading in Canada on the Toronto Stock Exchange ("TSX"), in Peru on the Bolsa de Valores de Lima ("BVL", otherwise known as the Lima Stock Exchange) under the symbol LPK, and in Germany on the Frankfurt Exchange ("FRA") under the symbol LQP. Lupaka Gold's share purchase warrants trade on the TSX under the symbol LPK.WT.

The Company's activities and events of note for the last twelve months are as follows:

- On March 17, 2014, the Company announced that it was commencing the permitting process to put the Invicta Gold Project into production on a small-scale basis of approximately 300 tonnes/day (see "*Mineral Projects*" below for additional details);
- The Company provided an update on January 20, 2014 of its 2014 development and exploration plans for its gold projects (see "*Mineral Projects*" below for additional details);
- On November 26, 2013, the Company announced that it had entered into a memorandum of understanding with certain subsidiaries of Hochschild Mining plc ("Hochschild") with regards to the execution of a definitive agreement that will allow the Company to earn into a 65% interest in the Josnitoro Gold Project in Southern Peru (see "*Mineral Projects*" below for additional details);
- The Company announced on October 28, 2013 that it had completed a conceptual pit analysis and applied the findings to a pit-constrained resource estimate for the Crucero Gold Project, and that an updated and amended technical report supporting the Crucero Gold Project resource estimate has been filed on SEDAR (see "*Mineral Projects*" below for additional details);
- On August 27, 2013, the Company announced that it had received approval of a Category II Environmental Impact Assessment - Semi Detailed for the Crucero Gold Project from the Ministry of Energy and Mines of Peru ("MEM"; see "*Mineral Projects*" below for additional details) ;
- The Company announced on July 23, 2013 that it had received: a 4-year renewal of the Crucero Gold Project community agreement; additional access agreements from local families; and the petitions for its Pacacorral 2 and Pacacorral 3 mineral claims were granted as fully registered mining concessions by the MEM;
- On July 2, 2013, the Company announced the results of its most recent campaign of metallurgical recovery testing on the mineralization from the A-1 Zone at its Crucero Gold Project. Summary results were from tests performed on two composite samples reflecting the two distinct mineralization types within the Crucero mineralization envelope. The wide range of recovery results reflect the suite of tests performed and the treatment options analyzed. Depending on types of minerals, their concentration and grind size, leach extraction of 60-75% gold was achieved. Diagnostic leach tests at ultrafine grinds showed leach extraction of 89% and 94% for the two composites (see "*Mineral Projects*" below for additional details);
- In June 2013, the Company received a structural geological context and interpretation report developed from field work and aerial photo interpretation conducted by SRK Consulting (Toronto, Canada). This report (the "SRK Structural Context Report") was commissioned in order to gain a better

understanding of the structural geology and mineralization controls at the Company's Crucero Gold Project; and

- At the Company's May 16, 2013 AGM, three new directors were elected to Lupaka Gold's Board of Directors: Hernan F. Barreto; Jaime A. Pinto; and Luquman A. Shaheen. Mr. Barreto and Mr. Pinto are Peru residents active in the Peru mining industry, while Mr. Shaheen is the President and CEO of Panoro Minerals Ltd., an active copper and copper-gold exploration company which operates in Peru;

**Outlook**

The Company's primary priorities for 2014 are to implement its small-scale production option for the Invicta Gold Project and to continue mineral exploration and development activities on the Crucero Gold Project and the Josnitoro Gold Project.

Management is presently evaluating capital financing alternatives which are available to fund the estimated US\$2 million of capital expenditures needed to put the Invicta Gold Project into small-scale production by March 2015. Excluding such financing requirements, management believes that cash and cash equivalents on hand as at the MD&A Date will be sufficient to fund the Company's planned head office and Peru exploration activities for the balance of 2014, by delaying drilling activity and reducing or eliminating discretionary expenses related to administration and exploration.

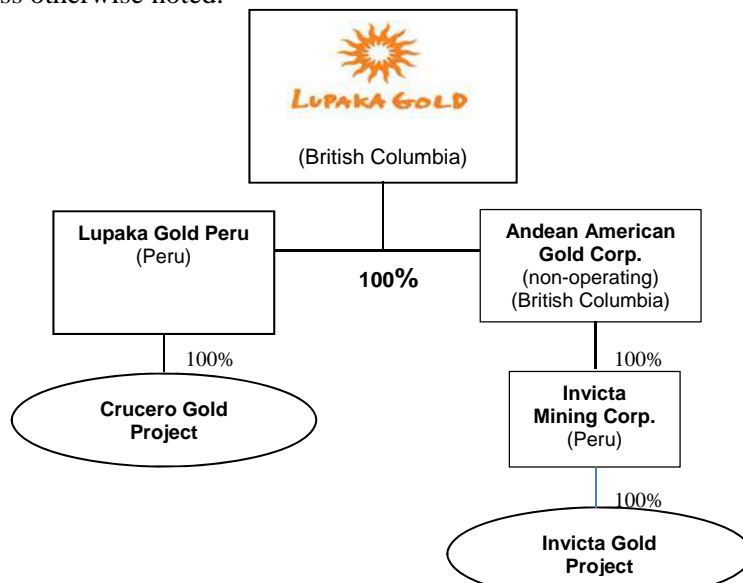
**Corporate Structure**

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

Lupaka Gold's head office and records office are located at Suite 428 - 800 West Pender Street, Vancouver, British Columbia, V6C 2V6, and its registered office is located at Suite 700 - 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

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

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



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

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

As at May 9, 2014, Lupaka Gold had a market capitalization of approximately \$14 million.

The Company's executive head office is located in Vancouver, Canada, while its Peru operations are run from LGP's Lima office. LGP also has a community relations office located in the town of Crucero, as well as exploration camps at the Crucero Gold Project and the Invicta Gold Project. With the exception of short-term operational requirements for its Peru operations, funds are maintained and controlled in Vancouver, in both Canadian and US Dollars. In addition to its staff located in Vancouver and Peru, the Company engages consultants when necessary, to provide geological, metallurgical and other corporate consulting services.

As of March 31, 2014, the number of employees of the Company was as follows:

Lupaka	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014
<i>Vancouver, Canada</i>	8	7	7	6	5
<i>Peru - LGP</i>					
Administration	9	7	9	8	5
Exploration & Technical	48	33	22	24	16
<i>Peru - Invicta</i>					
Exploration & Technical	14	7	7	6	6
Total	79	54	45	44	32

The number of exploration-related employees varies through the year as a result of the cyclical nature of the exploration season and site weather. Generally, the exploration season runs from May to December each year, which is highly dependent upon seasonal weather conditions at the project site. Further, when drilling occurs, additional employees are required for drilling support services. As a result of the Company's plans to put the Invicta Gold Project into production, the number of IMC administrative and technical staff is expected to increase later in 2014.

### **Business of the Company**

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

Please see the Company's AIF for the history of the Company, including: financings of Lupaka Gold, the acquisition details for the Crucero Gold Project, agreements with K-Rok Minerals Inc. ("K-Rok", a related party and >10% shareholder of Lupaka Gold), the LGP Purchase Agreement, the Buyout of the LGP Vendors, the October 2012 acquisition of Andean American (which included ownership of the Invicta Gold Project and a 17% interest in Southern Legacy Minerals Inc. ("Southern Legacy"), the Josnitoro Gold Project and the Company's mineral project concession listings and exploration history.

## Mineral Projects

The Company's projects are located within Peru as set out below:



### INVICTA GOLD PROJECT

The Company, through its acquisition of Andean American, owns the Invicta Gold Project which is located in the Province of Huaura in northwest Peru.

The Invicta Gold Project has a resource estimate based on a technical report titled “NI 43-101 Technical Report on Resources, Invicta Gold Project, Huaura Province, Peru” dated April 16, 2012 and prepared by SRK Consulting (U.S.) Inc. (see [www.sedar.com](http://www.sedar.com)). This technical report was prepared in accordance with mineral resource standards and best practices established by the Canadian Institute of Mining (“CIM”) and in compliance with the requirements of NI 43-101. The stated resource estimate is comprised of 967,000 equivalent ounces Au in the measured & indicated category and 236,000 equivalent ounces Au in the inferred category.

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

A summarized extract from the SRK Technical Report, detailing the above-mentioned resource estimate, is shown below:

Mineral Resource Statement for the Invicta Gold-Silver-Copper-Lead-Zinc Deposit, Huaura Province, Peru, SRK Consulting (Inc.), April 6, 2012\*

Zone	Resource Category	Tonnes (000's)	Metal						Contained Metal (000's)					
			AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	AuEq Oz	Au Oz	Ag Oz	Cu Lbs	Pb Lbs	Zn Lbs
Total - All Zones	Measured	131	6.65	4.29	31.71	0.73	0.39	0.38	28	18	133	2,119	1,110	1,105
	Indicated	<u>8,513</u>	<u>3.43</u>	<u>2.09</u>	<u>15.65</u>	<u>0.42</u>	<u>0.24</u>	<u>0.28</u>	<u>939</u>	<u>573</u>	<u>4,285</u>	<u>79,048</u>	<u>45,171</u>	<u>53,482</u>
	M + I	<u>8,644</u>	<u>3.48</u>	<u>2.13</u>	<u>15.90</u>	<u>0.43</u>	<u>0.24</u>	<u>0.29</u>	<u>967</u>	<u>591</u>	<u>4,418</u>	<u>81,167</u>	<u>46,281</u>	<u>54,587</u>
	Inferred	2,534	2.90	1.61	12.02	0.46	0.27	0.18	236	131	979	25,879	14,891	9,854

**\*Notes:**

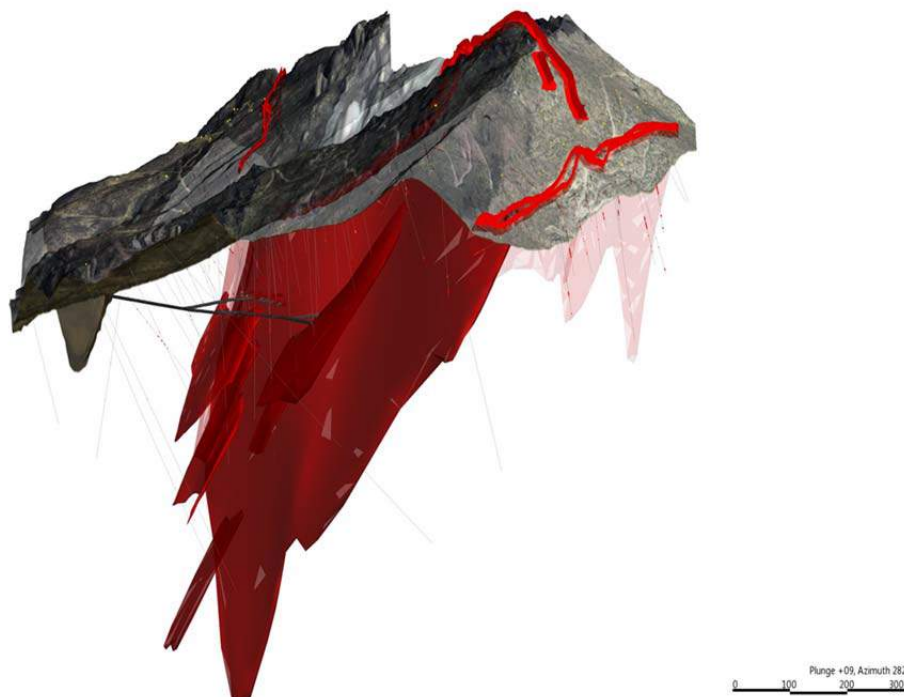
- Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimate will be converted into a Mineral Reserves estimate;
- Resources stated as contained within potentially economically mineable underground solids stated above a 1.3g/t Au Equivalent cut-off;
- The resource is stated at a 1.30 g/t gold equivalent cut-off contained within potentially economically mineable mineralized solids. Metal prices assumed for the gold equivalent calculation are US\$1,500/oz for gold, US\$32.50/oz for silver, US\$3.90/lb for copper, US\$1.05/lb for lead and US\$1.00/lb for zinc. The gold equivalent calculation assumes 100% metallurgical recovery, and does not account for any smelting, transportation or refining charges.
- Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding;
- Mineral resource tonnage and grade are reported as diluted to reflect a potentially minable underground selective mining unit of 3.0m; and
- The resource model has not been depleted for historical artisanal mining as the location and extent of these workings are largely undocumented.

***Development Going Forward***

Management believes that an Invicta mining operation working at a capacity of approximately 300 tonnes/day can be permitted and be operational by the end of the first quarter of 2015, at a cost of approximately US\$2 million, utilizing the Invicta Environment Impact Assessment (“EIA”) previously approved by the MEM. Management further believes that a small-scale Invicta operation can be feasibly achieved by implementing a full contractor-based model (re: mining, haulage and toll processing), thereby eliminating capital and finance risk to the operation and the Company. This planned mining operation would also utilize the underground works previously built by Barrick and Andean American, which directly access the high-grade Au resource rock contained in the Measured resource which is primarily contained in the Atenea Vein (Figure 1 below).

The Company is in the process of completing its selection of Peruvian mining, transport and processing contractors. This process is expected to be completed by the end of Q3-14.

**Figure 1: Invicta Gold Project Underground Workings Intersecting the Highest Grade Areas Within the Atenea Vein**



### ***Community Relations, Environmental and Social Responsibility- Invicta***

Overall, the Invicta Gold Project is considered to be in the pre-mine construction stage.

The Company has:

- An EIA for the operation of a mine (originally issued December 2009; amended in 2012) and a power line (December 2011);
- A Closure Plan for Andean American's previously proposed 5,100 t/d of mineralized material mine plan, which was approved by the Ministry of Energy and Mines in January 2012 and which is presently being amended; and
- A Certification of the Absence of Archaeological Ruins (CIRA) from the Ministry of Culture, covering the area of the Invicta resource.

Invicta staff continue to work diligently with the communities directly and indirectly affected by the Invicta Gold Project. These communities largely consist of farmers that mainly cultivate avocados and peaches along the valley slopes, roughly 2 km from the Invicta Gold Project. Two communities, being Lacsanga and Santo Domingo de Apache, will be directly impacted by the extraction and transport of mineralized rock from an Invicta mining operation. Two other local communities, Paran and Sayan, may be indirectly impacted.

To date, the Company has signed a 20-year agreement with the community of Santo Domingo de Apache. In addition, the Company has signed several other related agreements to acquire secondary parcels of land for the purpose of infrastructure development to support the project as needed, and to improve local medical and school facilities. All agreements signed by the Company include long-term commitments to contribute to social development and to maintaining a close partnership with the surrounding communities.

The Company has and is supporting the following ongoing community initiatives:

- Pine Tree Nursery (Santo Domingo de Apache Community) - 50,000 pine tree seedlings (40 ha's) planted, leading to a projected production of 100,000 trees per year once the community expands this project to encompass 300 ha's, and create a sustainable commercial wood source;
- Classroom additions (Paran Community) – construction of 3 school classroom additions to current schools in the community;
- Medical clinic (Paran Community) – construction of a small medical clinic facility within the community;
- Churca - Corona, San Miguel de Lucmacoto (Santo Domingo de Apache Community) and El Ahorcado (Sayan Community) Irrigation Channels - improvement and construction of 24 kms of irrigation channel, as well as training on the implementation of new irrigation technologies. The Company assisted the communities on a consultative basis with their government applications, with the result that these projects were approved, with all funding to be provided by the Government of Peru. These projects are expected to be completed by mid-2014; and
- Picunche – Miraflores Road Upgrade (Lacsanga Community) – improvement and construction of 17.9 km of road and related works, as well as maintenance training. The Company assisted the community on a consultative basis with their government application. This project would be fully funded by the Government of Peru, and is expected to be completed within 1 year, once contractor selection and final project approval is obtained by the community.

### ***Concessions – Invicta***

See the Company's AIF for a listing of the Invicta Gold Project concessions.

The Company is, to its knowledge, in full compliance with all of its Invicta concession-holder requirements, and confirms that the above-referenced concessions are in good standing, except that as at March 31, 2014 only the annual concession fees for the Victoria concessions (within which the Invicta resource is located) have been paid. These are the only Invicta concessions for which the Company has recorded any carrying value.



The Company is currently reviewing the potential of the non-Victoria concessions, and has not yet paid the related concession fees for 2013, which total US\$165,000, that must be paid by June 30, 2014 in order for the Company to avoid penalty charges and /or lose the related concessions. As well, 2014 concession fees totalling an additional US\$165,000 are due in June 2014.

Following is a continuity listing of the Company's exploration expenditures for Invicta to March 31, 2014, which the Company expenses for accounting purposes:

	<b>Three months ended March 31, 2014</b>	<b>Total from acquisition to March 31, 2014</b>
	(\$000's)	(\$000's)
Camp, community relations and related costs	147	930
Project administration	10	1,385
Technical reports and assays	4	40
Transportation, reclamation and professional fees	-	146
	<u>161</u>	<u>2,501</u>

The carrying value of the Invicta mineral property as at March 31, 2014 is \$10,951,000 (\$10,581,000 – December 31, 2013). The change in carrying value of \$370,000 for the three months ended March 31, 2014 is due to changes in foreign currency translation rates that occurred between the Canadian Dollar and Peruvian Nuevo Sol from March 31, 2013 to March 31, 2014.

### **CRUCERO GOLD PROJECT**

The Crucero Gold Project is located in Carabaya Province, within the Puno Region of south-eastern Peru and is comprised of nine mineral concessions covering an aggregate area of approximately 5,500 hectares.

The Crucero Gold Project hosts eleven identified geophysical magnetic anomalies, one of which (the "A-1 Zone") has a resource estimate based upon a technical report titled "Technical Report for the Crucero Property, Carabaya Province, Peru" dated October 22, 2013, which contains the pit-constrained resource estimate described below, and which has been filed on SEDAR ([www.sedar.com](http://www.sedar.com)). This technical report was prepared in accordance with mineral resource standards and best practices established by the Canadian Institute of Mining ("CIM") and in compliance with the requirements of NI 43-101.

For the past several years, exploration work on the Crucero project has concentrated on the A-1 zone and expanding the gold resource ounces and tonnes within the mineralized resource envelope. This work was largely completed during 2013 and culminated with a conceptual whittle pit shell imposed on the Crucero A-1 resource in order to apply an economic constraint on the resource estimate, as more fully described below.

#### ***Amended and re-stated resource estimate***

An amended and re-stated A-1 Zone resource estimate titled "Technical Report For The Crucero Property, Carabaya Province, Peru, Effective Date: January 17, 2013, Amended and Re-Stated: October 22, 2013" (the "Technical Report") was prepared by Gregory Mosher of Tetra Tech WEI Inc. ("Tetra Tech"), formerly Wardrop Engineering, of Vancouver, Canada, within the conceptual pit constraints provided by SRK Consulting (Vancouver, Canada). The full Technical Report can be found at [www.sedar.com](http://www.sedar.com).

The Technical Report states an indicated resource of 30.9 million tonnes at 1.009 gold grams per tonne (g/t) capped grade for 1,003,041 gold ounces and an inferred resource of 31.2 million tonnes at 1.025 g/t capped grade for 1,027,806 gold ounces at the A-1 Zone. Mr. Mosher is a Qualified Person for this resource estimate, for the purposes of NI 43-101 and is not responsible for the conceptual pit.

The following table summarizes the Company's Crucero Gold Project resources, estimated at a 0.4 g/t cut-off threshold:

Resource Category	Tonnes	Au g/t Uncapped	Au g/t* Capped	Au oz (Troy) Uncapped	Au oz* (Troy) Capped
Indicated	30,919,873	1.118	1.009	1,111,494	1,003,041
Inferred	31,201,648	1.143	1.025	1,146,219	1,027,806

\* -- Gold grades capped at 17 g/t 1 Troy Ounce = 31.10348 grams

Mr. Anoush Ebrahimi is a Principal Consultant with SRK Consulting, a "qualified person" as defined by NI 43-101 and independent of Lupaka Gold as defined by Section 1.5 of NI 43-101. He developed the conceptual pit using the parameters set out in the table below:

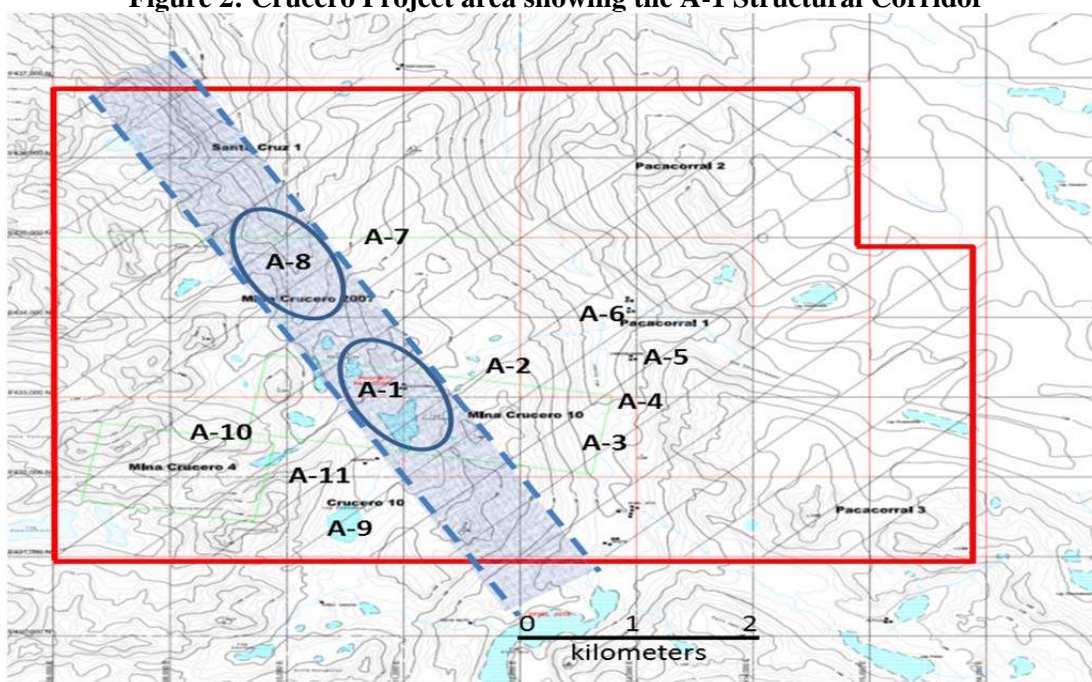
Parameter	Value	Unit
Gold Price	1,400.00	US\$/oz
Mining Operating Cost (Mineralized Material and Waste)	1.50	US\$/t milled
Process Operating Cost	13.00	US\$/t milled
General & Administrative	2.00	US\$/t milled
Overall Pit Slope	47	Degrees
Gold Process Recovery	90	%
Mining Dilution	5	%

#### ***Development Going Forward***

In the near-term, the extensions of the A-1 structure to the south and to the north hold the greatest potential for discovery of the next mineralized zone at Crucero.

2014 exploration work at Crucero will focus efforts on the A-1 structural corridor, extending from north of the A-8 anomaly to south of the A-1 resource zone (as set out in Figure 2 below). Field work is taking place in Q2 2014, drilling could commence in Q3 2014 depending on the success of the Company's exploration activities and the team's ability to identify high-confidence drill targets, as well as the Company's available financial resources.

**Figure 2: Crucero Project area showing the A-1 Structural Corridor**



### 2013 Exploration and Technical Programs

Following on from the 2012 drill program results and using the SRK Report, surface exploration and field work programs are being conducted in order to define target areas for further exploration, including potential drilling.

The structures interpreted on the SRK Structural Context Report's high-level images of the Crucero project include regional faulting as well as local and detail foliations, shear zones, faults, and, subordinately, dykes, veins, joints, and fold axial traces. Through 2013 and 2014, the Company plans to continue to complete detailed field examination to establish the relative timing and relationship between the individual structures, their kinematics, and relationship to gold mineralization. The Company will also be conducting detailed geologic field mapping to confirm and trace visible sulphide-bearing structures through the Crucero project area. All of this information will be used to develop targets for future drilling.

In Q3 2013 the Company engaged SRK Consulting (Canada) Inc. to prepare a conceptual pit design in order to apply an economic constraint on the resource estimate for the Crucero Gold Project. The results of that study determined a pit-constrained resource estimate that contains approximately 92% of the total unconstrained estimated gold mineralization at Crucero. The study also identified that the lower-grade resources at depth are not economic at current market prices and economic considerations, and are therefore not included in the pit-constrained resource as outlined in the Company's Technical Report. See the Company's October 28, 2013 news release for further information ([www.lupakagold.com](http://www.lupakagold.com) / News / 2013 News Releases).

The Company deployed field teams to Crucero in mid-year 2013, with a focus on assessing the mineral potential in the eastern half of the property, and the southern extent of mineralized structure beyond the A-1 Zone. Anomalous values for gold and arsenic (as a gold indicator) were found throughout the property, with the most compelling and interesting values identified on the northern and southern extensions of the main structure that hosts the A-1 gold resource.

#### *Metallurgical studies*

An updating of the Crucero Project's metallurgical testing began in 2012, with the results being announced on July 2, 2013, as follows:

Summary results were from tests performed on two composite samples reflecting the two distinct mineralization types within the Crucero mineralization envelope. The wide range of recovery results reflects the suite of tests performed and the treatment options analyzed. Depending on types of minerals, their concentration and grind size, leach extraction of 60-75% gold was achieved. Diagnostic leach tests at ultrafine grinds showed leach extraction of 89% and 94% for the two composites. The results have not been optimized and were performed with the purpose of assisting the Company to focus its exploration efforts through improved understanding of mineral associations and mineralogy, as it explores the remaining 10 identified (to date) exploration anomalies at Crucero. Working with Ausenco, the Company designed the test parameters for the most recent campaign to broadly evaluate the different mineralization types within the Crucero resource envelope.

The metallurgical test work programme evaluating the characteristics of Crucero Gold Project's A-1 Zone was conducted by SGS Lima, Peru and managed by Ausenco. The focus of the test programme was to investigate the two major mineralization gold association types represented by two separate composites: a Northern, mainly pyrrhotite, composite; and a Southern, mainly arsenopyrite, composite.

The Ausenco work evaluated several different processing options including whole-ore leaching, pre-aeration, grind size sensitivity cyanide concentration sensitivity, flotation, flotation concentrate leaching at various cyanide concentrations and regrind sizes, flotation tailing leaching at various cyanide concentrations, gravity concentration which included flotation of gravity tails and leaching of gravity concentrate and gravity tails. Comminution testing included Bond Ball Mill Work Index and

SAG Mill Comminution tests. As no variability testing was conducted, the results presented herein are considered preliminary and are to be further evaluated when future variability testing is conducted.

The comminution characteristics for the Crucero Gold Project's A-1 Zone indicate that the ore is of medium hardness and has a high competency.

Leach times of 24 hours at a grind size of 80% passing 53 microns provided extractions of 60-65% for the Southern Composite having a 1.57 g/t gold head grade and 70-75% for the Northern Composite having a gold head grade of 1.24 g/t. Ultrafine grinding tests to 80% passing 10 microns on whole-of-ore samples increased extractions to 89% and 94% for the Southern and Northern composites respectively. As stated above, these extractions are considered preliminary as no variability tests have been carried out, and further gold association work is required prior to providing indications of extractions achievable over the whole deposit. Gold is considered to be the only mineral of economic interest.

The test work shows that the A-1 Zone gold extraction is independent of sodium cyanide concentration in the range 500 to 1500 mg/L. Opportunity remains to further reduce the cyanide dosing and concentration regime and thereby reduce operating costs. Pre-aeration with air was found to provide sodium cyanide consumption reduction and further work in this area is warranted.

#### Conclusions and Recommendations from the test work

The test work completed to date has suggested metallurgical performance is likely associated with arsenic, pyrrhotite and antimonial minerals, and is a function of grind size to achieve mineral liberation. As the deportment and location of these minerals is not defined, there is a need to understand this aspect and also the associated metallurgical behaviour by variability testing.

Additional variability test work is required to define comminution and metallurgical parameters with ore types and mineralisation in the resource in addition to providing engineering data such as settling characteristics, viscosity, materials handling and rheology. Use of oxygen for pre aeration, review of lead nitrate addition, application of reduced cyanide concentration and gold deportment evaluations all provide opportunity to improve extraction efficiency and project economics.

Management is satisfied that the testing accomplished its objective and provided sufficient direction to proceed with additional exploration at Crucero, in that the gold-bearing mineralization responds favourably to whole ore leaching, gravity, magnetic and flotation separation, and cyanidation final recovery of a doré product. Further, the metallurgical results obtained were within the range expected, and show a path forward for optimization and further testing.

In the near-term, management believes that the extensions of the A-1 structure to the south and to the north hold the greatest potential for discovery of the next mineralized zone at Crucero.

#### ***Community Relations, Environmental and Social Responsibility - Crucero***

Overall, the Company has the necessary community, environmental and water permits to conduct its exploration activities at the Crucero Gold Project.

On June 17, 2013, the community of Oruro voted to renew the Company's exploration agreement with the community for a 4-year term. The Company was recognized as having completed its obligations to the local community related to the past agreement which expired in May 2013, including road maintenance, road upgrades and veterinarian programs. The new agreement includes certain commitments by the Company for annual rental payments and infrastructure improvements in the community. The property at the Crucero Gold project is owned communally, and the renewal of this agreement gives the Company the legal rights to continue exploration on the Crucero Gold Project area.

In addition to a community agreement, the Company must secure access agreements from the individual families that have historically used certain locations for alpaca grazing. The Company has a number of family agreements in place to allow exploration field work at Crucero and plans to continue to secure access agreements as necessary.

Surface rights on the Crucero Gold Project are held by the local community and in the event that the Company advances the Crucero Gold Project to a mining operation, these rights must be acquired from the relevant communities by purchase or lease.

The Company has a community relations office in the town of Crucero, which is located approximately 45 kilometres from the Crucero Gold Project. This office complements the Company's camp community relations office, from which various community relations, education, local infrastructure improvement project, and medical/dental/veterinarian programs that are developed, provided and paid for by the Company.

On August 27, 2013, the Company received approval of a Category II Environmental Impact Assessment - Semi Detailed (the "EIA-SD") for the Crucero Gold Project from the Ministry of Energy and Mines of Peru.

Approval of the EIA-SD allows the Company to continue and potentially to expand its exploration of the Crucero Gold Project, and provides a framework under which the Company is able to apply for additional drill pad and road construction permits as required for its exploration activities. The EIA-SD also provides a streamlined permitting process. The Company had previously been operating under an initial exploration permit (granted under a previous Category I Environmental Impact Statement), completing 22,959 metres of drilling at Crucero since acquiring the project in 2010.

The EIA-SD was approved after the Company submitted archeological, environmental and socioeconomic baseline and water studies, and completed various public comment processes. In addition, the EIA-SD recognizes that the Company fulfilled all of the required remediation and reclamation for our previous exploration activities. The application for the EIA-SD was filed in late 2012.

#### ***Concessions – Crucero***

See the Company's AIF for a listing of the Crucero Gold Project concessions.

The Company is, to its knowledge, in full compliance with all of its Crucero Gold Project concession-holder requirements, and the above-referenced concessions are in good standing.

Following is a continuity listing of the Company's exploration expenditures, which the Company expenses for accounting purposes, for the Crucero Project to March 31, 2014:

	<b>Three months ended March 31, 2014</b>	<b>Total from inception to March 31, 2014</b>
	(\$000's)	(\$000's)
Camp, community relations and related costs	212	4,183
Project administration	198	3,824
Technical reports, assays and related costs	4	1,227
Transportation, reclamation and professional fees	2	1,015
Drilling	—	2,595
	416	12,844

The carrying value of Crucero as at March 31, 2014 is \$17,256,000 (\$16,673,000 – December 31, 2013). The change in carrying value of \$583,000 for the three months ended March 31, 2014 is due to changes in foreign currency translation rates between the Canadian Dollar and Peruvian Nuevo Sol which occurred from December 31, 2013 to March 31, 2014.

## **JOSNITORO GOLD PROJECT**

On November 26, 2013, the Company announced that it had entered into a memorandum of understanding (“MOU”) with Compañía Minera Ares S.A.C. and Minera del Suroeste S.A.C. (indirect subsidiaries of Hochschild Mining plc (“Hochschild”)) with regards to the execution of a definitive agreement that will allow the Company to earn-in to a 65% interest in Josnitoro in Southern Peru. Josnitoro is an exploration stage gold and copper project in the Department of Apurimac with significant surface gold values in oxide veins and veinlets on the perimeter of a central oxide copper skarn. It is located approximately 600 kilometres by road southeast of Lima in the Department of Apurimac, southern Peru. There are no communities or families living on the mining concession area. Three communities located approximately 50 km from the Josnitoro concessions, own the surface rights.

During the Company’s due diligence evaluation of Josnitoro, LGP’s geologists visited the Josnitoro site and confirmed historical geologic mapping and conducted a limited confirmation sampling program. They sampled the disseminated gold zone, obtaining values of 9 grams gold per tonne (“g/t”) at surface, and sampled the central copper skarn zone receiving values of 1.76% copper and 1.2 g/t gold (see - Figure 3 below). The Company believes that the mineralization of interest continues at depth and is controlled by structures and permeability of the host rock.

Pursuant to the MOU, the Company will be the project operator and must pay 100% of the cost of the required earn-in activities to earn its 65% interest. In order to exercise the option to acquire a 65% interest, the Company must obtain the required permits and licenses within 2 years of the execution of a definitive agreement, so as to subsequently conduct a minimum 10,000 meter diamond drill program and complete a preliminary economic assessment (“PEA”) within a total 6-year period. In the event that the Company cannot receive community permission to commence drilling, the Company can abandon the option with no penalty or continuing obligations.

Upon completing the PEA, the Company may exercise the option at which point a NEWCO will be formed, the mining concessions transferred, and the participating 65/35 joint venture established. Hochschild may buy back 30% of the joint venture (raising their interest to 65%) by paying three times the Company’s incurred expenses plus a US\$2 million payment. If Hochschild elects to exercise its buy-back rights, they must notify the Company within 90 days of delivery of the PEA.

If Hochschild does not exercise its buy-back rights and retains its 35% JV interest, they may elect to convert this interest into a 5% net smelter return royalty (“NSR”). In that event, the Company may buy down the NSR to 1.5% (reducing by 3.5%) by making a one-time payment of US\$10.5 million in cash.

Management projects that the costs of meeting the earn-in requirements will be approximately US\$300,000 per year for the first two years, US\$3 million for drilling 10,000 meters and \$300,000 to prepare a PEA.

The carrying value as at March 31, 2014 and December 31, 2013 of the Josnitoro Gold Project, for which no consideration has been paid, is \$Nil. During the three months ended March 31, 2014, the Company incurred approximately \$3,000 in expenditures (not including personnel costs) at the Josnitoro project.

### ***Development Going Forward***

Community relations and permitting activities have commenced and are continuing at the Josnitoro project. Early approaches to the community, and the artisanal miners operating in the copper oxide area, are making progress. Management believes that the Company may be granted social license by mid-2014 and could commence exploration field work in Q3 2014. Exploration field work will focus on mapping and sampling the gold zones to assess the mineral potential and plan for a drilling campaign. Field work will also begin with an objective to identify a regional geology mineral emplacement model and test the large copper skarn porphyry theory.

### Exploration to date

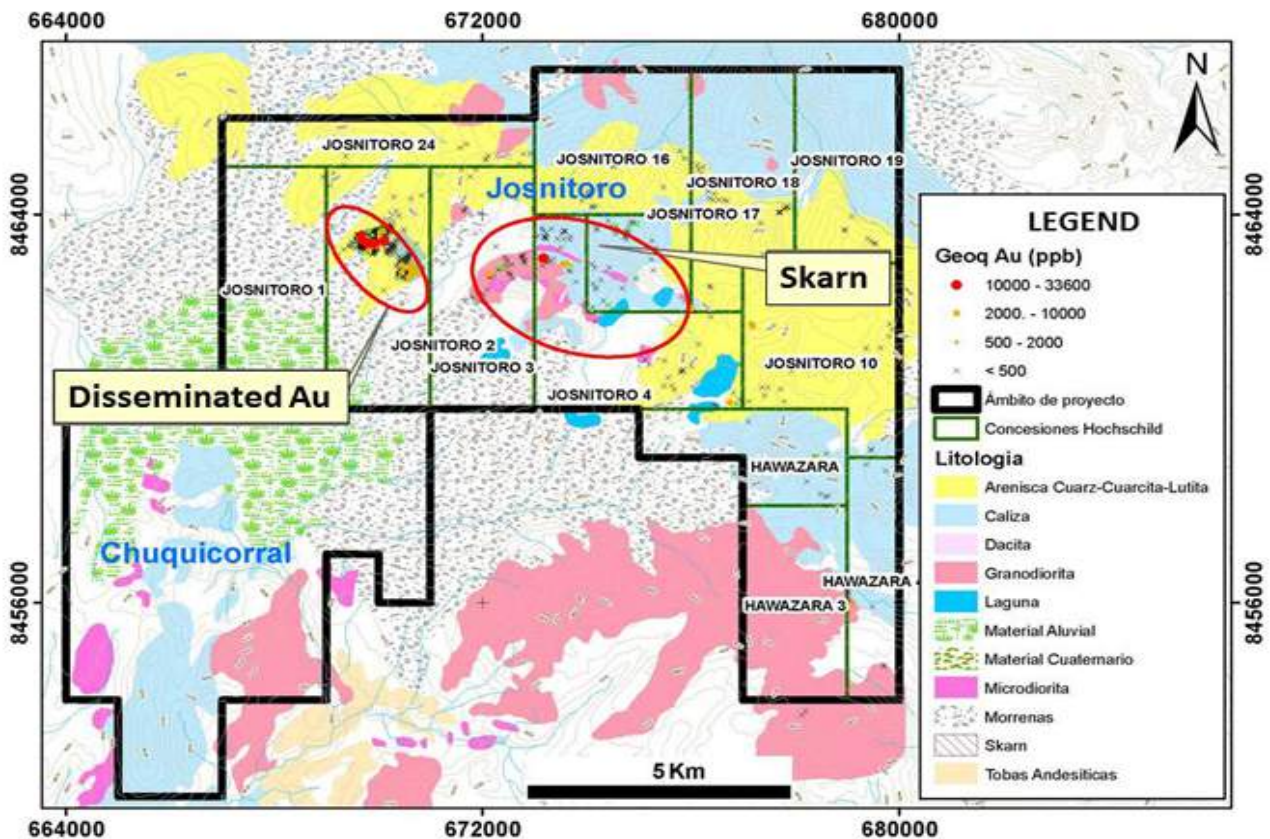
Historical work on the project has consisted of geologic mapping and rock chip and trench sampling. Past rock chip samples on the property have returned results of up to 7.74 g/t Au, and trench sampling has returned results of up to 33.6 g/t Au.

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

The mineralization at Josnitoro has been recognized in two styles (and areas):

1. The Cu-Au skarn mineralization related to the Ferrobamba calcareous formation and associated with the diorite intrusion, which presents the typical garnet-wollastonite-barite-sericite-magnetite-specularite assemblage, with economic Cu-Zn-Pb sulfides contents and important premium in Au. This mineralization is located in the Huancabamba Community lands.
2. The gold dissemination within the quartzite and sandstones of the Soraya formation is marked by Au-As-Pb-Cu-Zn anomalies at surface. This sequence is crosscut by hydrothermal sub-vertical breccias that have been altered showing the following assemblage: illite, smectite, kaolin, goethite, quartz, jarosite, scorodite, goethite and hematite. Gold mineralization is primarily controlled by the local structures and it is also disseminated in the fractured sandstones and quartzites.

**Figure 3: Josnitoro Gold Project Concession Package, Geology and Mineralization**



The Company evaluated over 75 projects throughout Peru during 2013 before optioning the Josnitoro Gold property from Hochschild.

## INVESTMENT IN SOUTHERN LEGACY

As a result of the AAG acquisition, the Company acquired 9,841,269 common shares in Southern Legacy, representing approximately 17% of the issued and outstanding ownership shares of Southern Legacy, and which the Company classifies as an available-for-sale financial asset. At the October 1, 2012, date of initial recognition, the fair market value of this investment was \$3,986,000.

On October 22, 2013, the Company acquired an additional 208,333 common shares in Southern Legacy at a cost of \$52,000. As a result of this acquisition, the Company owns a total of 10,049,602 common shares in Southern Legacy, representing approximately 17% of the issued and outstanding ownership shares of Southern Legacy.

As at March 31, 2014, the aggregate fair market value of this investment was \$603,000 (\$904,000 – December 31, 2013), as indicated by the closing price of the shares as quoted by the TSX Venture Exchange (under the symbol, “LCY”), for which the Company recorded an impairment loss of \$301,000 during the three months ended March 31, 2014 (\$985,000 – three months ended March 31, 2013). Southern Legacy’s common shares also trade on the BVL.

The Company continues to evaluate its strategic options regarding this portfolio investment.

### Selected Quarterly Information

The following table presents selected audited quarterly operating results for each of the last eight quarters. Selected quarterly financial information is reported in accordance with International Financial Reporting Standards (“IFRS”).

<b>Financial Data for Last Eight Quarters (Unaudited)</b>								
<i>In thousands of Canadian Dollars, except for per share amounts</i>								
<b>Three months ended</b>	<b>Mar-14</b>	<b>Dec-13</b>	<b>Sep-13</b>	<b>Jun-13</b>	<b>Mar-13</b>	<b>Dec-12</b>	<b>Sep-12</b>	<b>Jun-12</b>
Total revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Exploration expenses	580	\$1,184	\$750	\$1,734	\$1,658	\$2,193	\$1,624	\$989
General and administrative expenses	532	\$748	\$577	\$770	\$873	\$963	\$388	\$557
Interest (income)	\$(9)	\$(8)	\$(6)	\$(19)	\$(27)	\$(34)	\$(4)	\$(8)
Impairment loss on available-for-sale financial asset	\$301	\$328	\$0	\$344	\$985	\$1,476	\$0	\$0
Foreign exchange loss (gain)	\$(42)	\$(79)	\$35	\$(56)	\$(9)	\$(20)	\$7	\$(2)
Loss	\$1,362	\$2,173	\$1,356	\$2,773	\$3,480	\$4,578	\$2,015	\$1,537
Basic and diluted loss per share	\$0.02	\$0.03	\$0.02	\$0.03	\$0.04	\$0.06	\$0.05	\$0.03

As the Company has not had any revenue-producing mineral properties to date, no mining revenues are reflected in the above table.

Factors that have caused fluctuations in the Company’s quarterly results include: the impairment losses on the Company’s investment in Southern Legacy, timing of the Company’s exploration activities, the scope of the Company’s investor relations programs, share-based compensation, and foreign exchange gains or losses related to US Dollar-denominated monetary assets and liabilities when the Canadian Dollar exchange rate fluctuates.

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

The Company operates in one segment, being mineral exploration and development. The Company’s mineral properties are in Peru, South America. The consolidated statements of loss, comprehensive loss and deficit for the periods presented reflect both the Company’s Canadian and Peruvian



operations. All of the Company's operating costs in Peru are expensed, in accordance with the Company's accounting policy.

Financial results for the three months ended March 31, 2014 and 2013 are summarized as follows:

	<b>Three months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
	<b>(\$000's)</b>	<b>(\$000's)</b>
<b>Operating expenses</b>		
Exploration	580	1,658
General and administration	532	873
<b>Operating loss</b>	<b>1,112</b>	<b>2,531</b>
Impairment loss on available-for-sale financial asset	301	985
Finance income – interest	(9)	(27)
Foreign exchange loss (gain)	(42)	(9)
<b>Loss for the period</b>	<b>1,362</b>	<b>3,480</b>
<b>Loss per share - Basic and diluted</b>	<b>\$0.02</b>	<b>\$0.04</b>

***Three months ended March 31, 2014***

Compared to the three months ended March 31, 2013 notable expense variances were as follows:

*Exploration expenses*

Exploration expenses relate to the Peru operations of the Company and totalled \$580,000 for 2014 as compared to \$1,658,000 for 2013, a net decrease of \$1,078,000 for the period which reflects the following:

- Project administration – these expenses totalled \$208,000 for 2014 compared to \$791,000 for 2013, with the decrease of \$583,000 being a result of:
  - Cost reductions associated with reduced Peru staff levels and associated expenses of \$467,000 for 2014;
  - \$74,000 in reduced administrative and travel costs associated with fewer Peru staff in 2014; and
  - Individually miscellaneous cost reductions totalling 42,000.
- Camp, community relations and related costs – these expenses totalled \$362,000 for 2014 compared to \$644,000 for 2013, with the decrease of \$282,000 being a result of :
  - A \$190,000 decrease in personnel costs as a result of a 67% reduction in camp and related personnel;
  - Elimination of the use of the Crucero community relations contractor for 2014, for a net saving of \$75,000; and
  - Individually insignificant miscellaneous cost savings totalling approximately \$17,000.
- Technical reports, assays, and related costs – these expenses totalled \$8,000 for 2014 compared to \$172,000 for 2013, with the decrease of \$164,000 being attributable to no metallurgical and/or technical studies being conducted in 2014.

*General and administration expenses*

All such expenses relate to the Canadian operations of Lupaka Gold and totalled \$532,000 for 2014 compared to \$873,000 for 2013, with the decrease of \$341,000 being a result of:

- Salaries and benefits totalled \$188,000 for 2013 compared to \$451,000, a decrease of \$263,000, with:
  - \$211,000 being attributable to there having been no management bonuses for 2014; and
  - \$70,000 of reduced share-based compensation (“SBC”) expenses for 2014;
  - Offset by an increase of \$18,000 in corporate travel.
- Shareholder and investor relations (“IR”) expenses totalled \$199,000 for 2014 compared to \$170,000 for 2013, an increase of \$29,000. This reflects:

- Increased IR costs of \$63,000 for investor relations programs focused on the establishment of a European investor presence in the Company's shareholder base, offset by:
  - A decrease of \$23,000 being attributable to there having been no IR staff bonuses for 2014, and \$21,000 in reduced SBC costs; offset by a \$10,000 net increase in individually insignificant IR costs.
- Professional and regulatory fees totalled \$72,000 for 2014 compared to \$159,000 for 2013, a decrease of \$87,000, due to:
  - Reduced legal costs of \$52,000; and
  - the non-occurrence of the 2013 costs associated with the initial listing on the BVL of \$35,000.
- Office and general – these expenses totalled \$58,000 for 2014 compared to \$79,000 for 2013, for a net decrease of \$21,000 due mainly to reduced IT and miscellaneous office costs.

#### Share-based compensation expenses

In accordance with the Company's accounting policy for share-based compensation, included in exploration, and general and administration expenses for the three months and years ended March 31, 2014 and 2013 were non-cash share-based compensation expenses (a non-cash expense reflecting the estimated value of share option benefits to option-holders for the period), in the expense categories noted below:

	<b>Three months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
	(\$000's)	(\$000's)
Salaries and benefits	39	109
Project administration	20	38
Shareholder and investor relations	5	26
Camp and related	3	4
Consulting and other	1	3
<b>Total share-based compensation</b>	<b>68</b>	<b>180</b>

#### *Impairment loss on available-for-sale financial asset*

As at March 31, 2014, the aggregate fair market value of this investment was \$603,000 (\$904,000 – December 31, 2013), as indicated by the closing price of the shares as quoted by the TSX Venture Exchange (under the symbol, "LCY"), for which the Company recorded impairment losses of \$301,000 during the quarter. Southern Legacy's common shares also trade on the BVL.

#### **Liquidity and Capital Resources**

(in thousands)	<b>March 31,</b>	<b>December 31,</b>
	<b>2014</b>	<b>2013</b>
	(\$000's)	(\$000's)
Cash and cash equivalents	2,940	3,906
Working capital (defined as current assets less current liabilities)	1,767	2,502
Total assets	32,545	33,106
Current liabilities	1,578	1,777
Shareholders' equity	30,967	31,329

The principal changes in the Company's cash during the quarter ended March 31, 2014 were as follows:

- Cash used in operating activities in the quarter ended March 31, 2014 was \$1,178,000 (\$1,936,000 – three months ended March 31, 2013), principally to fund the Company's loss for the period of \$1,362,000 (\$3,480,000 – three months ended March 31, 2013) which was offset by non-cash charges including depreciation of \$53,000 (\$94,000 – three months ended March 31, 2013), the impairment loss on the investment in Southern Legacy of \$301,000 (\$985,000 – three months ended March 31, 2013) and share-based compensation of \$68,000 (\$180,000 – three months ended March 31, 2013), as well as net changes in non-cash working capital of a decrease of \$231,000 (increase of \$285,000 – three months ended March 31, 2013).
- Net cash from investing activities in the quarter ended March 31, 2014 totalled \$233,000, from the sale of equipment of \$284,000 (\$Nil – three months ended March 31, 2013) and purchases of equipment for \$51,000 (\$94,000 – three months ended March 31, 2013).
- The Company had no cash flows from or used in financing activities in the three months ended March 31, 2014 and 2013.

Total current liabilities as at March 31, 2014 were \$1,578,000 (\$1,777,000 - December 31, 2013), comprised of \$1,194,000 (\$1,406,000 - December 31, 2013) of accounts payable and accrued liabilities, mostly for current community obligations, and \$384,000 of provisions for reclamation (\$371,000 - December 31, 2013).

At present, the Company's operations do not generate positive cash flows and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many periods and is subject to factors that are beyond the Company's control.

In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company raises money through equity financings. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond its control.

Management is presently evaluating capital financing alternatives which are available to fund the estimated US\$2 million of capital expenditures needed to put the Invicta Gold Project into small-scale production by March 2015. Excluding such financing requirements, management believes that cash and cash equivalents on hand as at the MD&A Date will be sufficient to fund the Company's planned head office and Peru exploration activities through the balance of 2014. If required, the Company can adjust its discretionary expenditures in the areas of administration and exploration to preserve cash.

Additionally, the Company is evaluating its potential opportunities to monetize certain of its non-core assets, such as its Southern Legacy shareholdings. There is no guarantee of the sufficiency or success of these initiatives.

As at March 31, 2014 and December 31, 2013, the Company's aggregate common share capital was \$56,380,000 representing 84,495,110 issued and outstanding common shares without par value. As at March 31, 2014 and December 31, 2013, the Company had 7,279,167 share purchase warrants outstanding and 7,992,350 share options outstanding (8,439,350 - December 31, 2013).

#### **Outstanding Share Data**

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

- basic – 84,495,110 common shares
- fully-diluted – 99,766,627 common shares, after including:

- 7,992,350 stock options, with exercise prices ranging from \$0.20 to \$4.08, of which 6,817,350 options are vested; and
- 7,279,167 share purchase warrants, with a weighted average exercise price of \$2.22.

### **Accumulated Deficit**

The Company's accumulated deficit was \$30,683,000 as at March 31, 2014 (\$29,321,000 - December 31, 2013), with the increase in deficit of \$1,362,000 reflecting the loss incurred for the three months ended March 31, 2014.

### **Dividends**

There are no restrictions that could prevent the Company from paying dividends on its common shares. The Company has not paid any dividends on its common shares and does not intend to pay any dividends in the foreseeable future. It is the Company's intention to use all available cash flows to finance further operations and exploration of its resource properties.

### **Off-Balance Sheet Arrangements**

The Company does not have any significant off-balance sheet arrangements.

### **Transactions with Related Parties**

Related party transactions for the Company for the three months ended March 31, 2014 and 2013 are as follows:

- The Company paid consulting fees of \$15,000 (\$50,000 – three months ended March 31, 2013) to Gordann Consultants Ltd.
- The Company paid consulting fees of \$30,000 (\$50,000 – three months ended March 31, 2013) to Havilah Holdings Ltd.
- The Company paid consulting fees of \$Nil (\$3,000 – three months ended March 31, 2013) to a family member of Gordon Ellis.

K-Rok is a significant shareholder of the Company, and is owned 60% by ABE Industries Inc. ("ABE") and 35% by Havilah Holdings Inc. ("Havilah") and 5% by another individual. ABE is wholly-owned by Gordann Consultants Ltd. ("Gordann"), a company in which Gordon Ellis owns a 51% interest and his wife, Margaret Ellis, owns a 49% interest. Gordon Ellis is the Executive Chairman of the Company and a director, and through his spousal and corporate ownerships is a greater than 10% shareholder of the Company. Havilah is a company wholly-owned by Geoff Courtnall.

As at March 31, 2014, there were no amounts payable to related parties.

### **Adoption of new and amended IFRS pronouncements**

On January 1, 2014, The Company adopted the following new and revised standards:

- IFRIC 21, Levies,
- IAS 1, Presentation of Financial Statements

Adoption of the above standards and interpretations did not have a significant effect on the consolidated financial statements of the Company.

In November 2013, the IASB removed the mandatory effective date of IFRS 9, Financial Instruments ("IFRS 9"), which previously was effective January 1, 2015. Adoption of IFRS 9 could change the classification and measurement of financial assets and the extent of the effects of IFRS 9 on the interim financial statements has not been determined.

### **Significant accounting judgements and key sources of estimate uncertainty**

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

Estimates and judgements 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.

#### *Judgements*

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

### **Accounting Policies**

The Company's interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting using accounting policies consistent with 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, 2013.

The interim statements also follow the same accounting policies and methods of computation as compared to the most recent consolidated financial statements for the year ended December 31, 2013.

### **Financial Instruments**

Financial assets and liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Upon initial recognition, financial assets and liabilities are measured at fair value plus or less transaction costs, that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for those financial assets and liabilities classified as fair value through profit or loss, for which the transaction costs are expensed.

#### *Financial assets and liabilities*

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, investment in Southern Legacy and trade and other payables.

All financial assets and liabilities are recognized when the Company becomes a party to the contract creating the item. On initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair-value-through-profit-and-loss", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities". The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition. Financial liabilities are classified as either financial liabilities at "fair-value-through-profit and loss" or "other financial liabilities". Financial liabilities are classified as "fair-value-through-profit and loss" when the financial liability is either 'held for trading' or it is designated as "fair-value-through-profit and loss".

Financial assets and financial liabilities classified as "fair-value-through-profit and loss" are measured at fair value with changes in those fair values recognized in loss for the year. Financial assets classified as

“available-for-sale” are measured at fair value, with changes in those fair values recognized in other comprehensive loss. Financial assets classified as “held-to-maturity” and “loans and receivables” are measured at amortized cost. Unrealized currency translation gains and losses on available-for-sale securities are recognized in loss for the year. Financial liabilities classified as “other financial liabilities” are measured initially at fair value and subsequently measured at amortized cost.

Cash and cash equivalents and trade and other receivables are classified as “loans and receivables” and are measured at fair value. The Company’s investment in Southern Legacy is classified as “available for sale”. Trade and other payables and amounts due to related parties and non-controlling interest are designated as “other financial liabilities”. No financial assets or liabilities have been designated as at fair-value-through-profit-and-loss.

#### *Impairment and non-collectability of financial assets*

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets, other than those at fair-value-through-profit-and-loss, may be impaired. If such evidence exists, the estimated recoverable amount of the asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount as follows: the carrying amount of the asset is reduced to its discounted estimated recoverable amount directly and the resulting loss is recognized in profit or loss for the year. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive loss are reclassified to loss for the year.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss for the year to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized in loss for the year are not reversed through loss for the year. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income or loss for the year.

#### *Financial risk factors*

##### (a) Financial risk exposure and risk management

The Company’s activities expose it to a variety of financial risks, including credit, liquidity, market, foreign exchange, interest rate, and commodity price risks.

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

#### **Credit risk**

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and trade and other receivables.

The Company minimizes the credit risk of cash and cash equivalents by depositing only with Canadian chartered banks and banks of good credit standing.

Companies can apply for recovery of Impuesto General A Las Ventas (“IGV”) on certain exploration expenditures as they are incurred in Peru. IGV is a value-added tax charged at a rate of 18% on all goods and services. IGV expenditures are generally refundable if recovery is applied for after the related expenditures are approved by the Peru Government’s tax authority, SUNAT, and paid. Effective from August 2012 through December 2013, the Company has applied for such eligible recoveries.

The portion estimated by management to be refundable is included in trade and other receivables, and the

amount not refundable to the Company is expensed as part of the related operating expense or would be capitalized to mining properties if the Company had established mineral reserves in accordance with the Company's related accounting policy. In addition, any amount not refunded to the Company can be used to offset amounts due to the Peruvian Revenue Service by the Company resulting from IGV charged to domestic customers on future sales as and when these occur. Moreover, if the Company recovers amounts that have been deferred, the amount received would be applied to reduce capitalized mining property costs or taken as a credit against current exploration expenses, depending on the prior accounting treatment made.

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and assets. Cash and cash equivalents on hand at March 31, 2014 are considered to be sufficient to fund the Company's ongoing operational needs through to the end of 2014.

### **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 a portion of its expenses are incurred in US Dollars. A significant change in the currency exchange rates could have an effect on the Company's results of operations. The Company has not hedged its exposure to currency fluctuations. The Company is exposed to foreign exchange risk through its financial assets and liabilities denominated in US Dollars ("US\$").

#### *Price risk*

The Company has exposure to fluctuations in the market prices of its financial instruments, specifically the investment in Southern Legacy. Historical movements and volatilities in market variables may significantly increase or decrease the value of the Company's investment in Southern Legacy. Based on the Company's carrying value of its investment in Southern Legacy as at March 31, 2014, a 10% fluctuation in its market value would result in an increase or decrease of approximately \$60,000 in the Company's comprehensive loss.

#### *Interest rate risk*

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents. There is minimal risk that the Company would recognize any significant loss as a result of a decrease in the fair value of any short-term investments as a result of fluctuations in interest rates included in cash and cash equivalents, due to their short term nature.

#### *Commodity price risk*

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold has fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for gold. A decline in the market price of gold may also require the Company to reduce its mining interests, which could have a material and adverse effect on the Company's value. As of March 31, 2014, the Company was not a gold producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

#### (b) Fair value of financial instruments

IFRS 7 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 – valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities)

In evaluating fair value information, considerable judgement is required to interpret the market data used to develop the estimates. The use of different market assumptions and valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate carrying value because of their short term nature. The Company's investment in Southern Legacy is classified as Level 1 of the fair value hierarchy.

### **Disclosure Controls and Internal Controls Over Financial Reporting**

Management of the Company is responsible for the design and implementation of disclosure controls and procedures and for internal controls over financial reporting ("ICFR") as required by National Instrument 52-109 – Certification of Disclosure ("NI 52-109") in Issuers' Annual and Interim Filings.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is communicated to senior management to allow timely decisions regarding the required disclosure.

While management believes that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the Company's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The Company's internal control system was designed to provide reasonable assurance that all transactions are accurately recorded, that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with IFRS, that the Company's assets are safeguarded, and that expenditures are made in accordance with appropriate authorization.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedure may deteriorate.

### *Changes in Internal Controls Over Financial Reporting*

During the three months ended March 31, 2014, there was no change in the Company's internal control over financial reporting that materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

**Risk Factors** – the Company's Risk Factors are fully set out in its AIF, which is available at [www.sedar.com](http://www.sedar.com). As of the date of this MD&A, management is not aware of any significant change(s) in the nature or status of the Risk Factors contained in the Company's AIF.