MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the audited consolidated financial statements of Lupaka Gold Corp. ("Lupaka Gold") and the notes thereto for the years ended December 31, 2019 and 2018 (collectively referred to hereafter as the "Financial Statements").

The Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB. All amounts are expressed in Canadian dollars unless otherwise stated. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements.

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 Gold Peru S.A.C. ("LGP"), Andean Exploraciones S.A.C. ("AES", Peru) and Greenhydro S.A.C. ("Greenhydro", Peru).

This MD&A provides management's comments on Lupaka's operations for the three and twelve-month periods ended December 31, 2019 and 2018, and the Company's financial condition as at December 31, 2019, as compared with the prior year-end.

The effective date of this MD&A is June 11, 2020 (the "MD&A Date")**.**

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

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

The Financial Statements and the MD&A were approved by the Board of Directors on June 11, 2020.

Forward-Looking Statements

Statements contained in this MD&A that are not historical facts are "forward-looking statements" or "forward-looking information" (collectively, "**Forward-Looking Information**") (within the meaning of applicable Canadian securities legislation) that involve risks and uncertainties. Forward-Looking Information includes, but is not limited to, statements relating to: resolution of defaults declared under the financing agreement with PLI Huaura Holdings L.P. ("PLI" and the "PLI Financing Agreement") and any related financial obligations; the amount of financings needed; management's expectations regarding the ability to raise equity capital; expected use of proceeds; business objectives and strategies; the assets and liabilities of Lupaka; the acquisition of interests in mineral properties; the timing of completion and success of community relations (including with respect to agreements with local communities), exploration and development activities; requirements for additional capital; the estimation of mineral resources; the effect of government policies and announcements; and changes to applicable laws in Peru on the Company's operations. In certain cases, Forward-Looking Information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

The Forward-Looking Information is based on certain assumptions that the Company believes are reasonable, including: that defaults declared by PLI under the PLI Financing Agreement and any related financial obligations are without merit or can be satisfactorily resolved; with respect to any mineral resource estimates, the key assumptions and parameters on which such estimates are based; the assumption that any additional financing needed will be available on reasonable terms; the exchange rates of the U.S., Canadian and Peruvian currencies in 2019 will be consistent with the Company's expectations; that the demand for gold and other metals produced by the Company will be sustained; that general business and economic conditions will not change in a material adverse manner; and that the Company's interests in Peru will not be adversely affected by political, social or economic instability in Peru or by changes in the government of Peru or its politics and tax policies. Other assumptions are discussed throughout this MD&A.

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

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

Cautionary Note to US Investors

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

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

Overall Performance

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

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

- On May 14, 2020, the Company announced that it intended to complete a non-brokered private placement utilizing the TSX Venture Exchange's Temporary Relief Bulletin dated April 8, 2020 to enter into a non-brokered private placement at the Company's closing market price of $0.02 per share as of May 13, 2020 (see ***LIQUIDITY and CAPITAL RESOURCES/Outstanding Shares***);
- On December 13, 2019, the Company announced that on December 12, 2019 it delivered to the Peruvian Minister of Economy and Finance a Notice of Intent to Submit a Claim to Arbitration in accordance with the 2009 Free Trade Agreement between Canada and Peru (see ***Outlook***);
- On December 3, 2019, the Company advised that PLI had completed certain foreclosure procedures, which resulted in the transfer of all of the ownership shares of Invicta Mining Corp., which holds the Invicta Gold Project, to PLI (see ***Outlook***);
- On November 25, 2019, the Company issued a response to the PLI Letter advising PLI that the Company reserves all of its rights including, without limitation, commencing litigation in New York or another appropriate forum in seeking equitable and legal relief from PLI (see ***Outlook***);
- On November 12, 2019, the Company received a Notice of Indemnification and Reservation of Rights letter dated November 8, 2019 from PLI Huaura Holdings L.P. (the "PLI Letter"), which primarily demands that the Company make the indemnification payments to PLI in respect of the PLI Financing Agreement (which PLI claims, as of October 31, 2019, totals an aggregate of US$ 15,957,086), and all other amounts outstanding under the PLI Financing Agreement (see ***Outlook***);
- In October 2019, the Company was formally advised that pursuant to PLI's security-collateral rights under the PLI Financing Agreement, PLI had seized all of the ownership shares of IMC, effective July 2, 2019 (see ***Outlook***);
- On July 2, 2019 the Company announced that it believes that PLI's and Lonely Mountain's actions in pursuing purported amounts owed by the Company pursuant to PLI's early termination of the PLI Financing Agreement constitute violations of their obligations under the PLI Financing Agreement and as a secured creditor under applicable New York law (see ***Outlook***);
- On July 29, 2019 the Company announced that it had accepted the resignation of Will Ansley as President, CEO, and Director, and Ryan Webster as CFO of the Company, (both) effective July 31, 2019. Gordon Ellis, co-founder and Chairman of the Company's board of directors has been appointed President and CEO and Darryl Jones, the Company's former CFO, will fill the position of CFO;
- On July 3, 2019 the Company announced that PLI Huaura Holdings L.P., the creditor to the Company under the PLI Financing Agreement, had issued a formal notice of acceleration on the PLI Agreement, as well as declaring an early termination date of the loan and immediate payment of US$15,581,654 (see ***Outlook***); and
- On March 21, 2019 the Company announced that the nearby community of Paran failed to honour their commitment to remove their illegal blockade, preventing continuous access to Invicta.

Outlook – The Company's loss of ownership and control of Invicta Mining Corp. and its Invicta Gold Project

Paran Blockade

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

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

The illegal Paran Blockade resulted in:

1) the termination of the Company's ability to develop and operate Invicta, including the inability to obtain the mining exploitation license and realize commercial production;
2) an inability to perform on-site health, safety and environmental assessments;
3) the termination of the Company's Invicta staff;
4) significant and continuing delays in scheduled payments to local suppliers and vendors;
5) a loss of contracted toll milling capacity; and
6) an inability for the Company to achieve operational cash flow and make its PLI Financing Agreement loan repayments as originally scheduled.

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

PLI Financing Agreement, Notice of Default and Early Termination

By agreement 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 IMC's Invicta Gold Project – see Deferred Revenue below.

On July 2, 2019, the Company received a formal Notice of Acceleration ("Acceleration Notice") from PLI regarding the PLI Financing Agreement. The Acceleration Notice claims that as a result of existing specified claims of alleged default, PLI declared an early termination date of the loan and requested immediate payment of approximately US$15.6 million. In October 2019, the Company was advised that PLI had seized all of the ownership shares of IMC, effective August 27, 2019, resulting in the Company losing all of its control of IMC and Invicta.

On November 12, 2019, the Company received a Notice of Indemnification and Reservation of Rights letter dated November 8, 2019 from PLI Huaura Holdings L.P., which primarily demanded that the Company make the indemnification payments to PLI in respect of the PLI Financing Agreement (which PLI claims, as of October 31, 2019, totals an aggregate of approximately US$15.6 million), and all other amounts outstanding under the PLI Financing Agreement were to be paid immediately on demand and that PLI hereby made a demand for payment of such amounts. Additionally, an independent valuation of IMC (the "IMC Valuation") ordered by the independent trustee holding the IMC ownership shares under the PLI Financing Agreement's Security Agreement produced a value of approximately US$13.4 million for the IMC ownership shares seized by PLI.

This illegal road blockade, which commenced in October 2018 and which management believes still continues to date, prevents access to the Invicta site.

The Company does not agree with PLI's estimation of the early termination amount as set out in the Acceleration Notice or their enforcement on security pursuant to the Acceleration Notice and the Security Agreement related to the PLI Financing Agreement.

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

- disputes that there remains an outstanding amount due and unpaid of US$15.6 million on the debt; and
- believes that PLI's early termination clause was not part of the PLI Financing Agreement for the purpose of giving PLI an opportunity to create a windfall benefit to PLI.

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

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

Going Concern

These Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

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

As at December 31, 2019, the Company has a working capital deficit (current assets less current liabilities) of $21,537,000 (December 31, 2018 - $9,371,000 deficit) and accumulated deficit of $88,552,000 (December 31, 2018 – accumulated deficit of $54,519,000). For the year ended December 31, 2019, the Company incurred a loss of $34,033,000 (2018 – net income of $315,000) and used cash in operating activities of $365,000 (2018 – cash used of $1,443,000).

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

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

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

Corporate Structure

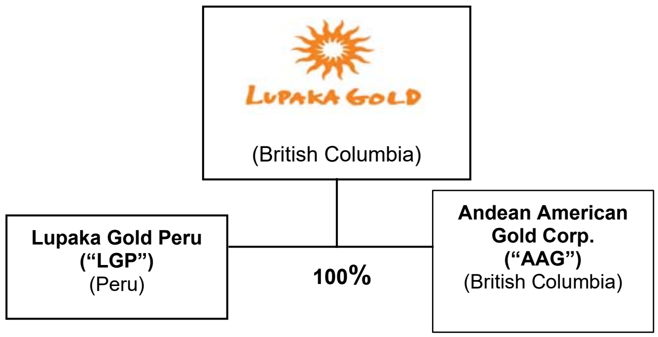
Lupaka Gold was incorporated under the *Company Act* (British Columbia) (predecessor to the British Columbia *Business Corporations Act*) on November 3, 2000 under the name "Kcrok Enterprises Ltd." and transitioned to the *Business Corporations Act* (British Columbia) on November 2, 2005. On May 4, 2010,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

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

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

Lupaka Gold owns 100% of the issued and outstanding shares of LGP, a company incorporated as Minera Pacacorral S.A.C. on July 10, 2008 under the laws of the Republic of Peru and which changed its name in September 2013 to Lupaka Gold Peru S.A.C. Lupaka Gold also owns 100% of the shares of AAG as a result of its October 1, 2012 acquisition of AAG, which until August 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 subsidiary of AAG until the loss of control of IMC on July 2, 2019.

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

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

As at June 11, 2020, Lupaka Gold had a market capitalization of ~$3.8 million.

Personnel

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

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

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

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

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

Management

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

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

Business of the Company

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

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

- Historical financings of Lupaka Gold and the acquisition of the Crucero Gold Project ("Crucero")
- Agreements with K-Rok Minerals Inc. ("K-Rok", a related party and >10% shareholder of Lupaka Gold)
- LGP Purchase Agreement and the Buyout of the LGP Vendors
- October 2012 acquisition of AAG (which included ownership of a 17% interest in Southern Legacy and a 100% interest in the Invicta Project)
- Company's mineral project concession listings, related exploration history, and
- Summary of the now-superseded Invicta Project mineralized resource estimate based on a technical report titled "NI 43-101 Technical Report on Resources, Invicta Project, Huaura Province, Peru" dated April 16, 2012 and prepared by SRK Consulting (U.S.) Inc. (the "April 2012 Invicta Technical Report", see www.sedar.com). See the summary of the April 2018 Technical Report below.

Mineral Projects

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

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

SELECTED FINANCIAL INFORMATION

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

In thousands of Canadian Dollars, except for per share amounts

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

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

In thousands of Canadian Dollars, except for per share amounts

Three months ended	**Q4-19**	**Q3-19**	**Q2-19**	**Q1-19**	**Q4-18**	**Q3-18**	**Q2-18**	**Q1-18**
Exploration expenses	Nil	Nil	Nil	Nil	7	1	14	(223)
Impairment of mineral property	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Loss on sale of mineral property	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
General and administrative expenses	136	104	250	213	396	362	319	334
Loss due to loss of control of IMC	3,464	15,209	Nil	Nil	Nil	Nil	Nil	Nil
Write-down of LGP assets	17	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Loss on re-measurement of PLI liability	14,593	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Financing expenses	(4)	15	162	160	185	181	400	288
Loss (gain) on metals derivative liability	Nil	Nil	(1,015)	731	(537)	(1,113)	(882)	(38)
Interest income	(2)	1	(1)	Nil	Nil	Nil	Nil	Nil
Gain on sale of equipment	Nil	Nil	Nil	Nil	Nil	Nil	(9)	Nil
Loss (earnings) for the quarter	18,204	15,329	(604)	1,104	51	(569)	(158)	361
Loss (earnings) per share, basic	$0.06	$0.10	($0.00)	$0.01	$0.00	($0.00)	($0.00)	$0.01
Loss (earnings) per share, diluted	N/A	N/A	($0.00)	N/A	N/A	($0.00)	($0.00)	N/A

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

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

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

The Company operates in one segment, being mineral exploration and development. The consolidated statements of loss, comprehensive loss and deficit for the periods presented reflect both the Company's Canadian and Peruvian operations. Until August 2017, all of the Company's operating costs in Peru were expensed, in accordance with the Company's related accounting policy. In accordance with the Company's accounting policies, the Company capitalized its Invicta development costs as of August 2017 until the loss of ownership of IMC in August 2019.

Financial results for the three and twelve-month periods ended December 31, 2019 and 2018 are summarized as follows:

In thousands of dollars	Three months ended December 31		Years ended December 31	
	2019	**2018**	**2019**	**2018**
Operating expenses				
Exploration and development	–	7	–	(201)
General and administration	136	396	703	1,411
Operating loss	136	403	703	1,210
Loss due to loss of control of IMC	3,464	–	18,673	–
Write-down of LGP	17	–	17	–
Loss on re-measurement of PLI liability	14,593	–	14,593	–
Financing expenses	(4)	185	333	1,054
Gain on metals derivative liability	–	(537)	(284)	(2,570)
Interest income	(2)	–	(2)	–
Gain on sale of equipment	–	–	–	(9)
Loss (earnings) for the period	18,204	51	34,033	(315)
Loss (earnings) per share – Basic and diluted	$0.12	$0.00	$0.24	($0.00)

Three months ended December 31, 2019

Compared to the three months ended December 31, 2018, notable expense variances were as follows:

Exploration and development expenses

The low expenditures for exploration and development expenses in Q4/19 reflects the loss of the Company's ownership shares of IMC in the third quarter.

General and administration expenses

All such expenses, except as noted below, relate to the Canadian operations of Lupaka and totalled $136,000 for the three months ended December 31, 2019 compared to $396,000 for the three months ended December 31, 2018, with the decrease of $260,000 being the result of:

- Salaries, benefits and fees of $48,000 for the fourth quarter of 2019 compared to $248,000 for the fourth quarter of 2018, a decrease of $200,000 due mainly to the resignations of senior management in the third quarter of 2019;
- Shareholder and investor relations expenses totalling $5,000 for the fourth quarter of 2019 compared to $13,000 for the fourth quarter of 2018, a decrease of $8,000;
- Corporate development expenses totalling $2,000 for the fourth quarter of 2019 compared to $51,000 for the fourth quarter of 2018, a decrease of $49,000;
- Office and general expenses totalled $10,000 for the fourth quarter of 2019 compared to $15,000 for the fourth quarter of 2018, a decrease of $5,000 due to the Company no longer renting office space; and
- A decrease in travel costs of $6,000; partially offset by
- Professional and regulatory fees totalling $71,000 for the fourth quarter of 2019 compared with $63,000 for the fourth quarter of 2018, an increase of $8,000.

Financing expenses

$Nil (2018 – $7,000) in loan accretion relating to the Company's bridge loans and $Nil (2018 – $16,000) in interest expense related to the bridge loans were incurred in the three months ended December 31, 2019.

Loss on re-measurement of PLI liability during the three months ended December 31, 2019 totalled $14,593,000 compared to a gain on metals derivative liability of $537,000 and financing expenses of $150,000 for the same period of 2018.

A foreign exchange gain of $4,000 occurred in the three months ended December 31, 2019 compared to a $12,000 foreign exchange loss in the same period of 2018.

Twelve months ended December 31, 2019

Compared to the twelve months ended December 31, 2018, notable expense variances were as follows:

Exploration and development expenses
The low expenditures for exploration and development expenses in the year ended December 31, 2019 reflects the loss of the Company's ownership shares of IMC during the year.

As a result of the termination of the Hochschild Option in early 2018, the Company no longer needed to pay for the Josnitoro Project concession costs. Consequently, $259,000 in previously accrued camp-related (concession) costs were reversed in the year ended December 31, 2018.

General and administration expenses
All such expenses, except as noted below, relate to the Canadian operations of Lupaka Gold and totalled $703,000 for the year ended December 31, 2019 compared to $1,411,000 for the year ended December 31, 2018, with the decrease of $708,000 being the result of:

- Salaries, benefits and fees totalling $443,000 for 2019 compared to $821,000 for 2018, a net decrease of $378,000, attributed mainly to the resignations of the Company's CEO and CFO in July 2019 and executive search costs in 2018 that were not incurred in 2019.
- Shareholder and investor relations expenses totalling $41,000 for 2019 compared to $126,000 for 2018, a decrease of $85,000 reflecting decreased investor relations activities;
- Office and general expenses totalling $52,000 for 2019 compared to $97,000 for 2018, a decrease of $45,000 due to reduced activity and the Company no longer renting office space since July 2019;
- Corporate development expenses totalling $2,000 for 2019 compared to $173,000 for 2018 relating to due diligence costs on a potential acquisition, a decrease of $171,000; and
- Travel costs totalling $7,000 for 2019 compared to $39,000 for 2018, a decrease of $32,000; partially offset by professional and regulatory fees totalling $158,000 for 2019, compared to $155,000 for 2018, an increase of $3,000.

Financing expenses
Loan accretion expenses relating to the Company's bridge loans of $1,000 (2018 – $332,000) and $8,000 in interest expense (2018 – $97,000) related to the bridge loans were incurred in 2019.

Loss on re-measurement of PLI liability during the three months ended December 31, 2019 totalled $14,593,000, gain on metals derivative liability of $284,000 and financing expenses of $328,000 relating to the PLI Financing Agreement were recorded for 2019, compared to a gain on metals derivative liability of $2,570,000 and financing expenses of $781,000 (including the fair value of $19,000 for Agent's Warrants for Tranche 3) relating to the PLI Financing Agreement for 2018.

A foreign exchange gain of $4,000 occurred in the year ended December 31, 2019 compared to a gain of $156,000 in 2018.

During the year ended December 31, 2018, the Company sold its remaining GOLD shares, realizing a total loss of $836,000 for the year ended December 31, 2018 on its GOLD shareholdings, which was included in other comprehensive income.

Share-based compensation expenses

Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate. Non-cash share-based compensation costs of $199,000 have been recorded for the year ended December 31, 2019 (2018 – $445,000), and allocated as follows:

	Three months ended December 31		Years ended December 31	
In thousands of dollars	**2019**	**2018**	**2019**	**2018**
Salaries and benefits	26	97	139	274
Shareholder and investor relations	3	3	14	22
Development costs (capitalized)				
Project Administration	–	15	40	128
Community	1	(1)	6	21
Total share-based compensation	30	114	199	445

LIQUIDITY AND CAPITAL RESOURCES

In thousands of dollars	**December 31, 2019**	**December 31, 2018**
Cash and cash equivalents	76	233
Working capital (defined as current assets less current liabilities)	(21,537)	(9,371)
Total assets	100	23,679
Total liabilities	21,636	10,544
Shareholders' equity	(21,536)	13,135

The principal changes in the Company's cash during the years ended December 31, 2019 and 2018 were as follows:

- Net cash used in operating activities in the year ended December 31, 2019 was $365,000 (2018 – $1,433,000), which was a product of the Company's loss for the twelve months of $34,033,000 (2018 – net income of $315,000) and the following adjustments for items not affecting cash:
    - adjustment for the Loss due to loss of control over subsidiary of $18,673,000 – see **Outlook – Loss due to loss of control of IMC and the Invicta Gold Project**;
    - adjustment for the write-off of LGP of $17,000;
    - Loss on re-measurement of PLI liability of $14,593,000
    - loan accretion of $1,000 (2018 – $332,000);
    - share-based compensation expense of $153,000 (2018 – $296,000); and
    - finance expense on the PLI financing of $328,000 (2018 – $781,000); offset by:
    - an unrealized foreign exchange gain of $5,000 (2018 – $156,000); and
    - a $190,000 net increase in non-cash working capital (2018 – net decrease of $441,000).
- Net cash used in investing activities in 2019 totalled $423,000 (2018 – $3,358,000), which was the result of capitalized mineral property development cost expenditures at Invicta. In 2018, $6,547,000 was used for mineral property costs at Invicta, $202,000 was used for purchases of equipment (2019 – $Nil) and $3,391,000 in proceeds (2019 – $Nil) was received from the sale of marketable securities. All Invicta-related costs were capitalized after July 2017.
- Net cash from financing activities in 2019 totalled $636,000, which resulted from the Company's March 2019 $665,000 non-brokered private placement less $19,000 in finders fees and $10,000 in share issue costs. In 2018, the Company received proceeds from Tranche 3 of the PLI Financing of $3,143,000, $414,000 from the exercises of share purchase warrants and $32,000 from the exercises of options and repaid $360,000 in bridge loan principal.

Current liabilities at December 31, 2019 totalled $21,636,000 (December 31, 2018 – $9,786,000), and were comprised of: due to PLI of $20,847,000, accounts payable and accrued liabilities of $760,000 (December 31, 2018 – $2,404,000), amounts due to related parties totalling $29,000 (December 31, 2018 – $62,000), and a settlement liability of $Nil (December 31, 2018 – $312,000) for severance payments to a former CEO of the Company and a former employee of the Company. In March 2019, the Company extinguished bridge loan liabilities of $450,000 for BL 3 and $90,000 for BL 2 as part of the Company's SFD transaction.

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

Receivable due from IMC – with the Company's loss of its ownership of IMC, net intercompany advances previously made by Lupaka or its corporate assignees to IMC total approximately US$15.4 million including interest. However, management has estimated that the likelihood of collectability from IMC and/or its owners is uncertain and subject to legal proceedings. Consequently, the Company's carrying value for accounting purposes for the IMC receivable as at December 31, 2019 is $Nil.

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

Management disagree with PLI's estimate of approximately US$16 million (as of October 31, 2019) owed to PLI as a result of PLI's termination of the PLI Financing Agreement. However, in the absence of any discharge, payment or settlement of this disputed obligation, as at December 31, 2019, the Company has recorded a Due to PLI liability of $20.8 million (US$16.1 million).Following is the calculation for the Recognition of the PLI Liability:

	2019
In thousands of dollars	**CAD**
Due to PLI – principal and interest	20,847
Less adjustments to:	–
Deferred revenue	(3,253)
Metals derivative liability	(3,001)
Loss on re-measurement of PLI liability	14,593

The likelihood of PLI continuing to pursue collection of their asserted US$16 million or any other amounts PLI asserts are owed after their seizure of IMC is indeterminable. However, with PLI's seizure of the ownership and control of IMC, which was valued at approximately US$13 million, management asserts that PLI is not entitled to anything further from the Company.

Lupaka continues to consider all actions available to it in response to PLI's Acceleration Notice and foreclosure actions, and the Company's resulting Loss due to loss of control over subsidiary and Invicta.

Deferred revenue

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

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

Financing Agreement. During the term of the PLI Financing Agreement, PLI would also share in the upside on any increase in certain metal prices above the base spot price established in the PLI Financing Agreement.

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

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

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

1. Cash consideration of $252,000, (US$200,000) ("Agents' Fees"), equivalent to 8% of the funds received, of which US$161,000 remains unpaid and is included in Accounts Payable; and

2. Agents' Warrants, with a Black Scholes valuation of $19,000, equivalent to 1% of the funds received, with an exercise price of $0.255, and a two-year term expiring on February 9, 2020, respectively (See Note 12 (b)).

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

By March 31, 2018, all of the three Tranches were received, with the fair value of the other metals option included in Metals Derivative Liability.

Following are the continuity schedules for deferred revenue for the years ended December 31, 2019 and 2018:

	2019		**2018**	
In thousands of dollars	**CAD**	**USD**	**CAD**	**USD**
Balance, beginning of year	3,056	2,240	1,177	938
Tranches, net	–	–	3,224	2,500
Less: Other metals derivative liability	–	–	(2,050)	(1,590)
Financing fee accretion	328	246	509	392
Foreign exchange	(130)	–	196	–
Balance, July 2, 2019	3,254	2,486		
Re-measured as new financial liability	(3,254)	(2,486)		
Balance, end of year	–	–	3,056	2,240

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

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

Metals derivative liability

The metals derivative liability, a Level 2 financial instrument, was determined to be a distinct and separate obligation under the PLI Financing Agreement as it provided some upside to PLI in the event that prices for non-gold metals (specifically silver, copper, lead, and zinc) exceed baseline levels set on inception of the

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

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

Following are the continuity schedules for the Company's other metals derivative liability for the years ended December 31, 2019 and 2018:

	2019		2018	
In thousands of dollars	**CAD**	**USD**	**CAD**	**USD**
Balance, beginning of year	3,413	2,502	3,627	2,891
Additions: Tranche derivative liability	–	–	2,050	1,589
Upside payments	(1)	(1)	(10)	(7)
Revaluation	(283)	(208)	(2,570)	(1,971)
Foreign exchange	(128)	–	316	–
Balance, July 2, 2019	3,001	2,293		
Re-measured as new financial liability	(3,001)	(2,293)		
Balance, December 31	–	–	3,413	2,502

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

With the Company's loss of its ownership of IMC and all of its assets and liabilities, the metals derivative liability was re-measured and included in the Due to PLI liability

Loss due to loss of control over IMC and the Invicta Gold Project

As a result of PLI's termination of the PLI Financing Agreement and their subsequent seizure of the ownership shares and control of IMC, the Company's investment in IMC has been written off as follows:

	2019
In thousands of dollars	**CAD**
Impairment of intercompany loans to IMC	14,881
Impairment of net IMC assets	5,881
Cumulative translation adjustments reclassified to loss due to loss of control over subsidiary	(2,089)
Loss due to the loss of control of IMC	18,673

Bridge Loan Financings

Bridge Loan 2 (“BL2”)

Effective January 12, 2017 (“BL2 Closing Date”), the Company completed a bridge loan financing for gross proceeds of $300,000 with a group of third-party individuals and Insiders of the Company. No finders’ fees were paid in connection with this bridge loan.

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

The BL2 principal and accrued and unpaid interest was payable in full on or before the earlier to occur of: (i) three months after the Company received an advance of funds of at least $8.0 million in new financing, if the noteholder requested repayment of BL2; and (ii) the date that is two years after theBL2 Closing Date (being January 12, 2019).

Pursuant to the closing of BL2, the Company issued share purchase warrants (“BL2 Warrants”) – see Note 14.

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

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

Following is a continuity schedule for BL2:

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

Bridge Loan 3 (“BL3”)

Effective June 30, 2017 (“BL3 Closing Date”), the Company completed a bridge loan financing for gross proceeds of $600,000 with a group of third-party individuals and Insiders of the Company. No finders’ fees were paid in connection with this bridge loan.

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

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

Pursuant to the closing of BL3, the Company issued share purchase warrants (“BL3 Warrants”) – see Note 14.

In May 2018 the Company’s directors extended the term of the BL3 loan to June 30, 2019. As a result of the extension, the previously issued BL3 warrants (“BL3a Warrants”) were cancelled and new BL3 warrants (“BL3b Warrants”) were issued – see Note 14.

Also, in May 2018, the Company paid $150,000 in principal plus $6,000 of accrued interest to BL3noteholders who requested repayment in accordance with the terms of BL3.

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

Following is a continuity schedule for BL3:

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

Outstanding Shares

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

- basic – 153,509,368 common shares
- fully-diluted – 190,286,376 common shares, after including:
    - 25,972,008 common share purchase warrants, all with an exercise price of $0.10; and
    - 10,805,000 stock options, with exercise prices ranging from $0.05 to $0.23, of which 8,830,000 options are vested.

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

As at December 31, 2019, the Company had 28,094,795 share purchase warrants outstanding at a weighted average exercise price of $0.11 (December 31, 2018 – 14,402,662 at a weighted average price of $0.15) and 12,230,000 stock options outstanding at a weighted average exercise price of $0.12 (December 31, 2018 – 10,162,500 at a weighted average price of $0.14).

Equity Issued

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

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

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

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

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

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

Equity To Be Issued

On May 14, 2020, the Company announced that it intends to complete a non-brokered private placement (the "Placement") utilizing the TSX Venture Exchange's Temporary Relief Bulletin dated April 8, 2020 to enter into a non-brokered private placement at the Company's closing market price of \$0.02 per share as of May 13, 2020.

The Placement will consist of 5,000,000 common shares at \$0.02 per common share (the "**Shares**") of the Company for gross proceeds of up to \$100,000. The Shares will be subject to a 4-month hold period, no warrants will be issued and no Insiders are participating in the Placement. As well, no finders' fees are expected to be paid.

Accumulated Deficit

The Company's accumulated deficit was \$88,552,000 as at December 31, 2019 (December 31, 2018 – \$54,519,000), with the increase in deficit of \$34,033,000 reflecting the net loss for 2019.

Dividends

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

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

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

During the year ended December 31, 2019, the Company:

- accrued \$16,000 (net of tax) for consulting and advisory services to Havilah Holdings Inc. ("Havilah"), a company wholly-owned by Geoff Courtnall. Havilah is a co-owner of K-Rok Minerals Inc., a >10% shareholder of the Company, which is owned 60% by ABE Industries Inc. ("ABE"), 35% by Havilah and 5% by another individual. ABE is wholly-owned by Gordann Consultants Ltd., a company in which Gordon Ellis owns a 51% interest and his wife, Margaret Ellis, owns a 49% interest. Gordon Ellis is the Chairman and CEO of the Company and a director, and through his spousal and corporate ownerships is a greater than 10% shareholder of the Company;

- paid \$40,100 in interest payments related to the Company's bridge loans, to a former officer, a director and former director and/or companies controlled by them or a related party, including \$32,400 due as at December 31, 2018. As at December 31, 2018, these individuals' bridge loan holdings comprised all \$90,000 of BL2 and all \$450,000 of BL3. The bridge loan principal amounts and \$18,600 of interest payments were repaid in their entirety in the Company's shares-for-debt transaction ("SFD Transaction") in March 2019 (Note 15). The balance of \$21,500 in BL2 and BL3 interest was settled with the related note-holders for cash.

Key management compensation

Key management includes directors and executive officers of the Company. The compensation paid or payable to key management for employee services for the years ended December 31, 2019 and 2018 is shown below:

In thousands of dollars	**2019**	**2018**
Salaries, fees and benefits	406	615
Share-based compensation	174	378
Total	580	993

Of the $406,000 included in salaries and benefits during the year ended December 31, 2019, approximately $209,000 in remuneration was for severance paid in SFD Transaction Units and common shares in 2019.

Due to current and former related parties

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

As at December 31, 2019:

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

Reclamation and closure cost obligations

When the Company exhausts or abandons a mining property or an exploration site, it is required to undertake certain reclamation and closure procedures under the terms of the legislation enacted by the government of Peru. Consequently, the Company records a reclamation provision. However, as the Company no longer owns IMC and/or the Invicta Gold Project, the previous carrying value and obligations totaling $755,000 have been adjusted to Nil.

Adoption of new and amended IFRS pronouncements

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

IFRS 16 - Leases was issued in January 2016 and is effective for periods beginning on or after January 1, 2019. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The adoption of the standard had no impact on the financial statements.

Significant accounting estimates and key sources of estimate uncertainty

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

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

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

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

Impairment of mineral property under development – the carrying value of the Company's mineral property under development is reviewed by management at each reporting period, or whenever events or circumstances indicate that the carrying value may not be recovered. If impairment is determined to exist, a formal estimate of the recoverable amount is performed, and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

Recognition of deferred income tax assets - the decision to recognise a deferred tax asset is based on management's judgment of whether it is considered probable that future taxable profits will be available against which unused tax losses, tax credits or deductible temporary differences can be utilized. The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Accounting Policies

The Company's accounting policies are as disclosed in Note 3 of the audited annual consolidated financial statements for the years ended December 31, 2019 and 2018, which can be found at www.sedar.com under the Company's profile "Lupaka Gold Corp.".

Financial risk factors

The Company's activities expose it to a variety of financial risks, which include credit, liquidity, market, foreign exchange, interest rate, and commodity price risks.
Financial risk management is carried out by the Company's management team with oversight from the Company's Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and assets – see Liquidity and Capital Resources (re: going concern).

At December 31, 2019 and 2018, the Company's undiscounted contractual obligations and their maturity dates were as follows:

In thousands of dollars	December 31, 2019	December 31, 2018
Trade and other payables (within 1 year)	21,636	2,778
Bridge Loans (1 year)	–	540
Deferred revenue and derivative liability (within 5 years)	–	9,549
Total	21,636	12,867

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as foreign exchange rates, prices, interest rates, and commodity prices.

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 had subsidiaries that operate in Peru and as such, a portion of its expenses were incurred in Peruvian Nuevo Soles, the Company's functional currency in Peru, and 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.

The Company is exposed to foreign exchange risk through the following financial assets and liabilities denominated in US Dollars ("US$") and Peruvian Nuevo Soles ("PEN"):

	December 31, 2019		December 31, 2018	
	US$	**PEN**	**US$**	**PEN**
Cash	9,000	–	135,000	104,000
Current assets	–	–	129,000	2,411,000
Current liabilities	(16,220,000)	–	(8,149,000)	(1,547,000)

Based on the above net exposure as at December 31, 2019, and assuming that all other variables remain constant, a 10% appreciation (depreciation) of the Canadian Dollar against the US Dollar and/or Peruvian Nuevo Soles would result in an increase or decrease of approximately +/- $2,105,000 (2018 – $1,037,000) in the Company's net loss for the year.

Operational Risk
Estimates of the recoverable amounts for non-financial assets are subjective and can vary over time. The Company estimates the recoverable amounts of non-financial assets using assumptions and if the carrying value of an asset at that time is determined to be greater than its actual recoverable amount, an impairment will be recognized, along with an increase in the Company's loss for the period. The Company conducts impairment assessments of non-financial assets at the end of each reporting period and the Company assesses whether there are any indicators that non-financial assets (such as property, plant and equipment) may be impaired. If an indicator of impairment exists, the recoverable amount of the asset is calculated in order to determine if any impairment loss is required. Non-financial assets are tested for impairment when events or changes in circumstances suggest that the carrying amount of these assets may not be recoverable. During the period ended December 31, 2019 the Company determined that such indicators did exist on the Company's Mineral Properties Under Development and an impairment test was undertaken but determined that an impairment was not required. An impairment test is subjective and requires management to make estimates and assumptions for a number of factors including regaining access and restarting the Invicta Project, estimates of production levels, mineral resources and mineral reserves, operating costs and capital expenditures reflected in the Company's life-of-mine plan, as well as economic factors beyond management's control, such as metal prices and discount rates. Should management's estimates and assumptions regarding these factors be incorrect or vary over time, the Company may be required to modify the impairment charges, if any, which would impact the Company's earnings. It is difficult to predict if and when impairment charges may be incurred.

Fair value of financial instruments

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

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and valuation techniques may have a material effect on the estimated fair value amounts.

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

At December 31, 2019, the Company had no financial instruments that would be categorized as Level 2 in the fair value hierarchy above, while the Due to PLI liability can be categorized as Level 3 in the fair value hierarchy above.

Disclosure Controls and Procedures

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the audited consolidated financial statements for the year ended December 31, 2019 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.

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