MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the audited annual consolidated financial statements of Lupaka Gold Corp. ("Lupaka Gold") and the notes thereto for the years ended December 31, 2012 and 2011 (collectively referred to hereafter as the "Audited 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), Minera Pacacorral S.A.C. ("MP", Peru), 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 years ended December 31, 2012 and 2011, and the Company's financial condition as at December 31, 2012, as compared with the preceding year.

The effective date of this MD&A is March 27, 2013.

The Audited Financial Statements, including comparatives, have been prepared using accounting policies consistent with Part I of the Canadian Institute of Chartered Accountants Handbook Standards (International Financial Reporting Standards – "IFRS").

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 Audited Financial Statements, the 2012 Annual Information Form (the "AIF"), each of which can be found at www.sedar.com.

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

The Audited Financial Statements, this MD&A and the AIF were reviewed and approved by the Company's Audit Committee of the Board of Directors, and the Board of Directors on March 27, 2013.

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 Andean American; 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 and the Invicta 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 shares of 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 2013 and 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 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 and the Invicta 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

William Burstow, an independent consulting geologist, is the Company's Qualified Person as defined by National Instrument 43-101 of the Canadian Securities Administrators ("NI 43-101") and 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 trade on the Toronto Stock Exchange ("TSX") and on the Borsa de Valores de Lima ("BVL", otherwise known as the Lima Stock Exchange) under the symbol LPK, and its 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 February 27, 2013, the Company announced an updated NI 43-101 compliant Indicated and Inferred mineral resource estimates for the Crucero Gold Project. The updated resource estimate was prepared by Tetra Tech WEI Inc. ("Tetra Tech"), formerly Wardrop Engineering, of Vancouver, Canada, and reported an indicated resource of 31.4 million tonnes at 1.01 gold grams per tonne (g/t) capped grade for 1,017,999 gold ounces and an inferred resource of 37.2 million tonnes at 1.00 g/t capped grade for 1,190,526 gold ounces at the A-1 Zone. Both the inferred and indicated categories now have a gold grade of 1 g/t or higher as a result of the 2012 drill results. Compared to the March 2012 resource update, these results represent an 11% decrease in the indicated resource and an 84% increase in the inferred resource, for the A-1 Zone (see "***Mineral Project***" below);

- On October 1, 2012, the Company announced the closing of the acquisition of Andean American ("AAG Merger"). As a result of this transaction, the Company acquired approximately $13.5 million in cash, the Invicta Gold Project and a 17% ownership position in Southern Legacy Minerals Inc. (see "***Acquisition of Andean American***" below);

- Lupaka Gold's common shares were listed for trading on the BVL in February 2013, under the symbol LPK;

- The Company announced on October 26, 2012, that the petition for its Pacacorral 4 mineral claim was granted as a fully registered mining concession by the Peruvian Government;

- The Company released assay results for its 2012 drill program conducted at the Crucero Gold Project, with the first results released in July 2012 and continuing to January 2013 (see www.lupakagold.com "***News/2012 News Releases and 2013 News Releases***" for details);

- The Company announced on January 20, 2012, that the Company had completed the acquisition of the remaining 40% interest in MP and completed all of its payment obligations regarding its initial 60% ownership of MP, resulting in Lupaka Gold achieving ownership of 100% of MP and its Crucero Gold Project;

Outlook

The Company's primary priorities are to continue its mineral exploration and development activities on the Crucero Gold Project, to review potential options regarding the Invicta Project, and to maximize the potential return on its investment in Southern Legacy Minerals.

The Company will also remain vigilant towards the potential acquisition of interests in other mineral resource properties in Peru that are assessed to be of merit.

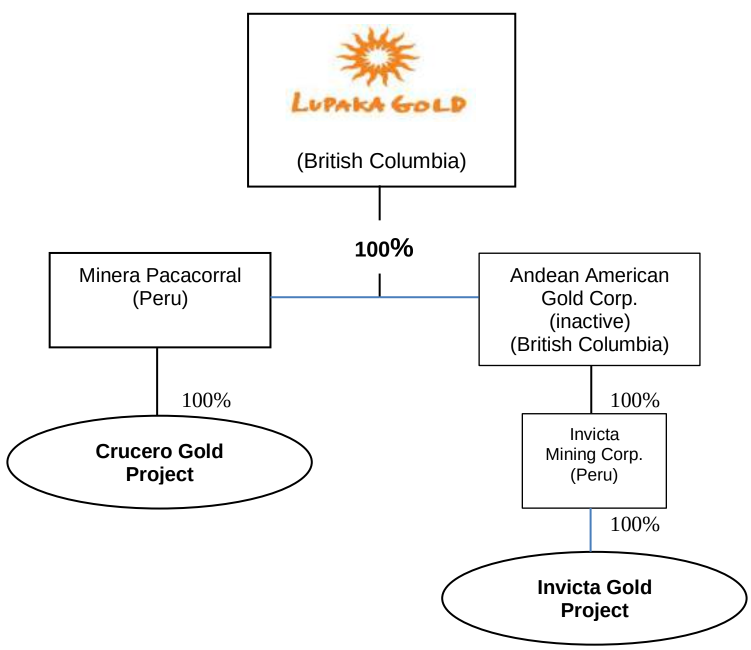
Corporate Structure

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 MP, a company incorporated on July 10, 2008 under the laws of the Republic of Peru, and 100% of the shares of Andean American as a result of the acquisition of Andean American, which closed on October 1, 2012.

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 March 27, 2013. The entities below are active unless otherwise noted.



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

- Andean Exploraciones S.A.C. ("AES")
- Greenhydro S.A.C. ("Greenhydro")

As at March 27, 2013, Lupaka Gold had a market capitalization of approximately $26 million.

The Company's executive head office is located in Vancouver, Canada, while its Peru operations are run from MP's Lima office. MP 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.

For 2012 and through to March 27, 2013, the number of employees of the Company was as follows:

	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	March 27, 2013
Vancouver, Canada	8	8	8	8	8
Peru - MP					
Administration	7	7	9	8	10
Exploration & Technical	31	39	43	43	44
Peru - Invicta					
Exploration & Technical	n/a	n/a	n/a	19	14
Total	46	54	60	78	76

The number of exploration-related employees varies through the year as a result of the cyclical nature of the Crucero Gold Project drilling season, which generally runs from April to December each year and which is highly dependent upon seasonal weather conditions at the project site.

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. In July 2010, the Company acquired 60% of the shares of MP, a Peruvian company that holds the following interests in the nine claims that comprise the Crucero Gold Project: a 100% interest in four mining concessions, a 30 year assignment (commencing September 2008) of a 100% interest in three additional mining concessions, subject to private royalty obligations, and a 100% interest in two mining petitions. In January 2012, the Company made its final payment obligation related to its initial 60% ownership of MP and acquired the remaining 40% minority interest in MP, with the result that MP became a 100%-owned subsidiary of Lupaka Gold.

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 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.

History

While the Company was incorporated in November 2000, it did not commence operations until 2010.

From the period from the date of its incorporation to the date it commenced operations in 2010, the Company did not have any operations, employees or other paid personnel and did not have any revenues or an interest in any assets and did not incur any liabilities or have any contingent liabilities and, other than expenditures incurred for the incorporation of the Company and to maintain the Company's existence as a British Columbia company, the Company did not have any expenditures.

On April 26, 2010, the Company amended its authorized capital as follows: 500,000 Class A common voting shares and 500,000 Class B common voting shares were changed to an unlimited number of common voting shares without par value; 100,000 Class C preferred non-voting redeemable shares were changed to an unlimited number of preferred non-voting redeemable shares with a par value of

$0.01 per share; and the 100,000 Class D preferred non-voting redeemable shares with a par value of $1.00 were eliminated. In addition, new articles of the Company were adopted. On May 4, 2010, the Company subdivided its outstanding common voting shares, being 305,100 common voting shares, on the basis of 10 shares for 1 into 3,051,000 common voting shares of the Company. On January 11, 2011, the Company amended its articles to remove the Pre-Existing Company Provisions. On January 28, 2011, the Company amended its authorized share capital as follows: the common voting shares were changed to an unlimited number of Common Shares without par value; and the preferred non-voting redeemable shares with a par value of $0.01 per share were changed to an unlimited number of preferred shares without par value. In addition, the articles of the Company were amended to add special rights and restrictions to the preferred shares to allow holders of preferred shares, on a liquidation or dissolution of the Company or other distribution of assets, to receive, before any distribution to holders of Common Shares, the amount paid up with respect to each preferred share together with all accrued and unpaid dividends.

Financings in 2011 (See also "***Outstanding Securities Data***" below and the Company's AIF which is located on www.sedar.com)

On February 7, 2011, the Company issued 1,819,500 Special Warrants at a price of $1.00 per Special Warrant for total proceeds of $1,819,500.

On February 11, 2011, the Company issued 350,000 Special Warrants at a price of $1.00 per Special Warrant for total proceeds of $350,000.

On June 28, 2011 the Company completed an Initial Public Offering ("IPO") of 13,333,334 Units at a price of $1.50 per Unit for aggregate gross proceeds of $20,000,001. The Agents to the IPO received a cash commission equal to 6% of the gross proceeds of the IPO, as well as common share purchase warrants ("Broker Warrant"). Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant ("IPO Warrant") issued pursuant to a warrant indenture between the Company and Computershare Trust Company of Canada, as warrant agent, each warrant being exercisable to purchase an additional common share of the Company until June 28, 2013 (Broker Warrant) or June 28, 2014 (IPO Warrant) at a price of $2.25 per share. The Company allocated $1.44 of the issue price of each Unit as consideration for the issue of each common share and $0.06 of the issue price of each Unit as consideration for the issue of each one-half common share purchase warrant. Upon filing of the Company's final prospectus, all of the Company's Special Warrants were deemed to have been exercised.

See www.sedar.com for a complete copy of the Company's June 15, 2011 Long Form Final Prospectus.

2012

In connection with the acquisition of the remaining shares of MP on January 19, 2012, the Company issued 5,200,000 common shares of Lupaka Gold (with a fair value of $1.00 per share) to the former non-controlling shareholders of MP. These shares were subject to a regulatory hold period until May 20, 2012.

Crucero Property Acquisition

The Company holds its interest in the Crucero Gold Project indirectly through its ownership of MP. MP is a Peruvian company that was formed on July 10, 2008 to acquire and hold the following interests in the nine claims that comprise the Crucero Gold Project:

- 100% ownership interest in the four mining concessions known as Crucero 1, Pacacorral 1, Pacacorral 4 and Santa Cruz 1 and which are not subject to any non-governmental royalty interest;
- 30 year assignment of a 100% interest in three mining concessions, Mina Crucero 10, Mina Crucero 4 and Mina Crucero 2007 (the "Assigned Concessions"), pursuant to an assignment agreement (the "Concession Assignment Agreement") dated September 12, 2008 between MP and CEDIMIN S.A.C., the owner of Mina Crucero 10 and Mina Crucero 4, and CEDIMIN S.A.C.'s

parent company, Compania de Minas Buenaventura S.A.A., the owner of Mina Crucero 2007. The Concession Assignment Agreement is similar to a lease agreement and expires in September 2038; and

- 100% ownership interest in two mining petitions, known as Pacacorral 2 and Pacacorral 3, which are applications for mining concessions that are in-process. These mining petitions are not subject to any non-governmental royalty interest.

As consideration for the Concession Assignment Agreement, MP agreed to pay a private net smelter return royalty on all gold and other minerals produced from the Assigned Concessions of:

- 1% if the average monthly price of an ounce of gold is greater than US $300 and less than or equal to US $400;
- 2% if the average monthly price of an ounce of gold is greater than US $400 and less than or equal to US $600;
- 3% if the average monthly price of an ounce of gold is greater than US $600 and less than or equal to US $800; and
- 5% if the average monthly price of an ounce of gold is greater than US $800.

Under the Concession Assignment Agreement, MP also agreed to pay the annual concession payments required by the Peru Government to maintain the Assigned Concessions, which is being done, and to complete a 3,000 metre drilling program on the Assigned Concessions, which was done. The mineralized zone, in respect of which the February 2013-announced resource update is related to, is located on the Assigned Concessions and is known as the A-1 Zone (see “***Mineral Project***” below).

Agreements with K-Rok

To acquire its ownership of MP, the Company entered into a mineral property identification and acquisition agreement with K-Rok, which acted as an agent for the Company. Additionally, the Company entered into an Assignment and Assumption Agreement with K-Rok, as assignee of K-Rok's interests in the Minera Pacacorral Purchase Agreement (“MP Purchase Agreement”), pursuant to which the Company assumed the rights and obligations of K-Rok.

K-Rok is a related party of the Company which is owned 60% by ABE Industries Inc. (“ABE”), 35% by Havilah Holdings Inc. (“Havilah”) and 5% by Javier Garcia, a consultant to the Company. 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, a consultant to the Company.

The consideration paid or payable to K-Rok pursuant to the Assignment and Assumption Agreement for the Crucero Gold Project consists of the following:

(a) 4,000,000 common shares to K-Rok (which were issued in 2010 at a recorded fair value of $200,000); and

(b) two additional common shares (the “K-Rok Contingent Shares”) to be issued to K-Rok for each ounce by which the gold resource for the six mining concessions identified in the K-Rok Agreement that form part of Crucero Gold Project are increased over the baseline resource of 808,695 ounces by either: (A) the first to occur of (i) any resource estimate related to completion of a pre-feasibility study, and (ii) an updated resource estimate obtained pursuant to the Assignment and Assumption Agreement prior to completion of a sale by the Company of its shares in MP or a sale by MP of all or substantially all of its interests in the six earlier-referenced mining concessions that form part of the Crucero Gold Project; or (B) if neither (i) nor (ii) has occurred by December 31, 2012, an updated resource estimate based on all exploration completed on the six earlier-referenced mining concessions up to December 31, 2012.

At the time of the July 2010 acquisition of the Crucero Gold Project mineral properties, management calculated the fair value of the obligation to issue the K-Rok Contingent Shares using a weighted average probability analysis of the reported ounces in future updated resource estimates in accordance with IFRS 2 Share-Based Payments, and recorded a fair value of $598,045.

Under the terms of the Assignment and Assumption Agreement, and based on the results of the February 2013 resource update, Lupaka Gold issued 3,221,127 common shares to K-Rok on March 22, 2013, which are subject to a four month hold period. The share issuance was calculated as being two shares for each ounce by which the estimated (uncapped) gold resources exceed the baseline resource ounces from the initial NI-43-101 compliant resource update, based on consistent methodology as provided for in the Assignment and Assumption Agreement. As a result of this share issuance, the Company has no further payment obligations to K-Rok.

MP Purchase Agreement
Under the MP Purchase Agreement, the shareholders of MP (the “MP Vendors”) sold to the Company (as K-Rok's assignee) 600 shares of MP (the "600 MP Shares"), representing 60% of the issued and outstanding shares of MP, in consideration for the payment of an aggregate of US $10,000,000 as follows:

(a) US $2,000,000 within five business days of execution of the MP Purchase Agreement (paid);

(b) US $2,000,000 on October 15, 2010 (paid);

(c) US $3,000,000 on July 15, 2011 (paid); and

(d) US $3,000,000 on July 15, 2012 (paid - see “*Buyout of MP Vendors*” below).

Pursuant to the MP Purchase Agreement, the Company was entitled to:

- An option to acquire from the MP Vendors an additional 400 shares of MP, being the balance of the issued MP shares not owned by the Company. The option was exercisable until July 23, 2015. To exercise this option, the Company was to pay an aggregate purchase price calculated using the spot price of gold multiplied by the number of uncapped gold resource ounces as determined by an independent and reputable engineering company using the inverse distance squared method and a cut-off grade of 0.4 grams per tonne, both current at the time, multiplied by a scale percentage ranging from 1 – 3%, dependent upon the number of ounces, multiplied by 40%.
- Appoint three, while the MP Vendors were entitled to appoint two, of the five members of MP's board of directors. Additionally, the favourable vote of 80% of the directors was required for the passing of resolutions of the MP directors.

See “*Buyout of MP Vendors*” below.

In its IPO Final Prospectus, the Company stated its intent to use a portion of the proceeds from the IPO to exercise the option to acquire the remaining 400 shares of MP. The Company allocated a portion of the proceeds of the IPO to pay for the estimated costs to acquire such shares as estimated using the calculation component values in effect at the time, in accordance with the MP Purchase Agreement. Additionally, the Company disclosed that it may also propose to reduce the cash amount for the purchase of the remaining 400 shares of MP by the purchase of a portion of such shares or by the alteration of the form of the consideration to include common shares, subject to applicable regulatory approvals.

Buyout of MP Vendors

On January 19, 2012, the Company completed the acquisition of the remaining 40% interest in MP, and as a result, the Company owns 100% of the Crucero Gold Project. The Company acquired the remaining 40% interest for a total purchase price of $4.1 million (US $4 million) in cash and 5.2 million common shares of the Company (with a fair value of $1.00 per share). As part of the closing of this transaction, the Company also paid the final $3.1 million (US $3 million) installment payment that was due by July 15, 2012 to complete the Company's acquisition of its initial 60% interest in MP.

Upon the Company making the last acquisition payment for the 600 MP Shares and purchasing the remaining 400 shares of MP in January 2012, the: MP Vendors' MP board of directors nominees resigned; MP Vendors' right to appoint two members of the board of directors of MP was terminated; formal mutual releases were executed between the parties, covering any and all past, current and future-oriented obligations that may have existed prior to the buy-out of the MP Vendors; and the necessary regulatory approvals were obtained.

Acquisition of Andean American

On July 16, 2012, Lupaka Gold entered into an arrangement agreement with Andean American which was amended and restated on August 16, 2012, pursuant to which Lupaka Gold agreed to, among other things, acquire all of the issued and outstanding common shares of Andean American (the "Andean American Shares") pursuant to an all-share transaction (the "Arrangement"). Immediately following the completion of the Arrangement, Lupaka Gold shareholders held approximately 54.8% of Lupaka Gold's outstanding shares, Andean American's then existing shareholders held approximately 45.2% of Lupaka Gold's outstanding shares and Andean American became a wholly-owned subsidiary of Lupaka Gold.

The terms of the Arrangement provided that each Andean American Share be exchanged for 0.245 of a Lupaka Gold share, and that holders of Andean American stock options and warrants be entitled to receive upon exercise, 0.245 of a Lupaka Gold share in lieu of one Andean American Share at an effective exercise price per Lupaka Gold share generally determined by dividing the exercise price per Andean American Share in effect immediately before the completion of the Arrangement by 0.245. Prior to the closing of this transaction, there were 150,976,810 Andean American Shares outstanding, which were subsequently converted (rounded down to the nearest whole share) to 36,989,313 Lupaka Gold Shares, and outstanding Andean American stock options and warrants exercisable to acquire 6,850,000 Andean American Shares and 2,500,000 Andean American Shares, which, upon exercise, would be converted to stock options and warrants exercisable to acquire 1,687,250 and 612,500 Lupaka Gold Shares, respectively.

The acquisition of Andean American was accounted for as an acquisition of assets, comprised of the following is a summary of the purchase price components, and the allocation of the net assets acquired on October 1, 2012:

	Purchase price
36,989,318 common shares of Lupaka	$25,892,523
Transaction costs	770,288
Purchase price	$26,662,811
Net assets acquired:	
Cash and cash equivalents	$13,501,866
Other current assets	182,141
Investment in Southern Legacy Minerals Inc. (1)	3,985,714
Plant & equipment	582,289
Current liabilities	(1,841,644)
Mineral properties	10,252,445
Net assets acquired	$26,662,811

(1) The fair value of the investment in Southern Legacy was based on the publicly-traded market value as at the Company's date of acquisition of AAG.

As a result of the Company's acquisition of Andean American, the Company's assets include additional cash, the 100%-owned Invicta Gold Project (central Peru), and a strategic 17% stake in Southern Legacy Minerals Inc. ("Southern Legacy", a Canadian public company listed on the TSX.V (LCY)), owner of the AntaKori copper-gold deposit located in northern Peru.

Mineral Projects

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 concession and petition claims covering an aggregate area of approximately 5,500 hectares.

Exploration to date

The Crucero Gold Project presently hosts one anomaly (the "A-1 Zone" or "A-1") which has a National Instrument 43-101 ("NI 43-101") compliant resource as described below, which was recently updated (as at February 27, 2013). This updated resource estimate was prepared by Gregory Mosher of Tetra Tech WEI Inc. ("Tetra Tech"), formerly Wardrop Engineering, of Vancouver, Canada, and reported an indicated resource of 31.4 million tonnes at 1.01 gold grams per tonne (g/t) capped grade for 1,017,999 gold ounces and an inferred resource of 37.2 million tonnes at 1.00 g/t capped grade for 1,190,526 gold ounces at the A-1 Zone. Mr. Mosher is a Qualified Person for this resource estimate, for the purposes of NI 43-101. See also the Company's AIF dated March 27, 2013.

The following table summarizes the Company's Crucero Gold Project resources, estimated at a 0.4 g/t threshold (cut-off), effective as at February 27, 2013:

Resource Category	**Tonnes**	**Au G/T Uncapped**	**Au G/T* Capped**	**Au OZ (Troy) Uncapped**	**Au OZ* (Troy) Capped**
Indicated	31,403,987	1.12	1.01	1,127,533	1,017,999
Inferred	37,170,436	1.15	1.00	1,370,729	1,190,526

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

2010 Drill Program

During the early part of 2010, MP drilled six holes, totalling 1,255 metres. The drilling of these holes was financed and supervised by the Company as part of its due diligence assessment of the Crucero Gold Project. Commencing in late 2010 and extending into early 2011, the Company drilled 12 additional core holes in the A-1 Zone, totalling 3,230 metres, to assess portions of the zone not tested by previous drilling and to acquire sufficient assay data to permit the upgrading of a portion of the previously-classified inferred resource to the indicated category (See www.sedar.com "Amended 2011 Technical Report").

For 2010, the Company spent approximately $1 million on exploration and related technical and community relations costs for the Crucero Gold Project.

2011 Drill Program

The Company completed a total of 23 core drill holes for over 7,300 metres from May through December of 2011. The 2011 drill program was mainly focused on resource expansion at the A-1 Zone. Final assay results showed that the Company had not yet defined the northern limit of the A-1 Zone, and that the A-1 Zone mineralized envelope remained open and continued to the north.

For 2011, the Company spent approximately $3 million on exploration and related technical and community relations costs for the Crucero Gold Project.

2012 Drill and Technical Programs

The Company stopped drilling for the 2012 season as planned in December 2012, completing a total of 20 core drill holes for over 8,200 metres from May through December of 2012. The 2012 drill program was mainly focused on resource expansion at the A-1 Zone. Final assay results showed that the Company had not yet defined the northern limit of the A-1 Zone, and that the A-1 Zone mineralized envelope remained open and continued to the north.

Various geological programs also took place in 2012, covering mapping, soil sampling, geophysics and structural geology, towards improving the Company's knowledge of the Crucero Gold Project's geological structures.

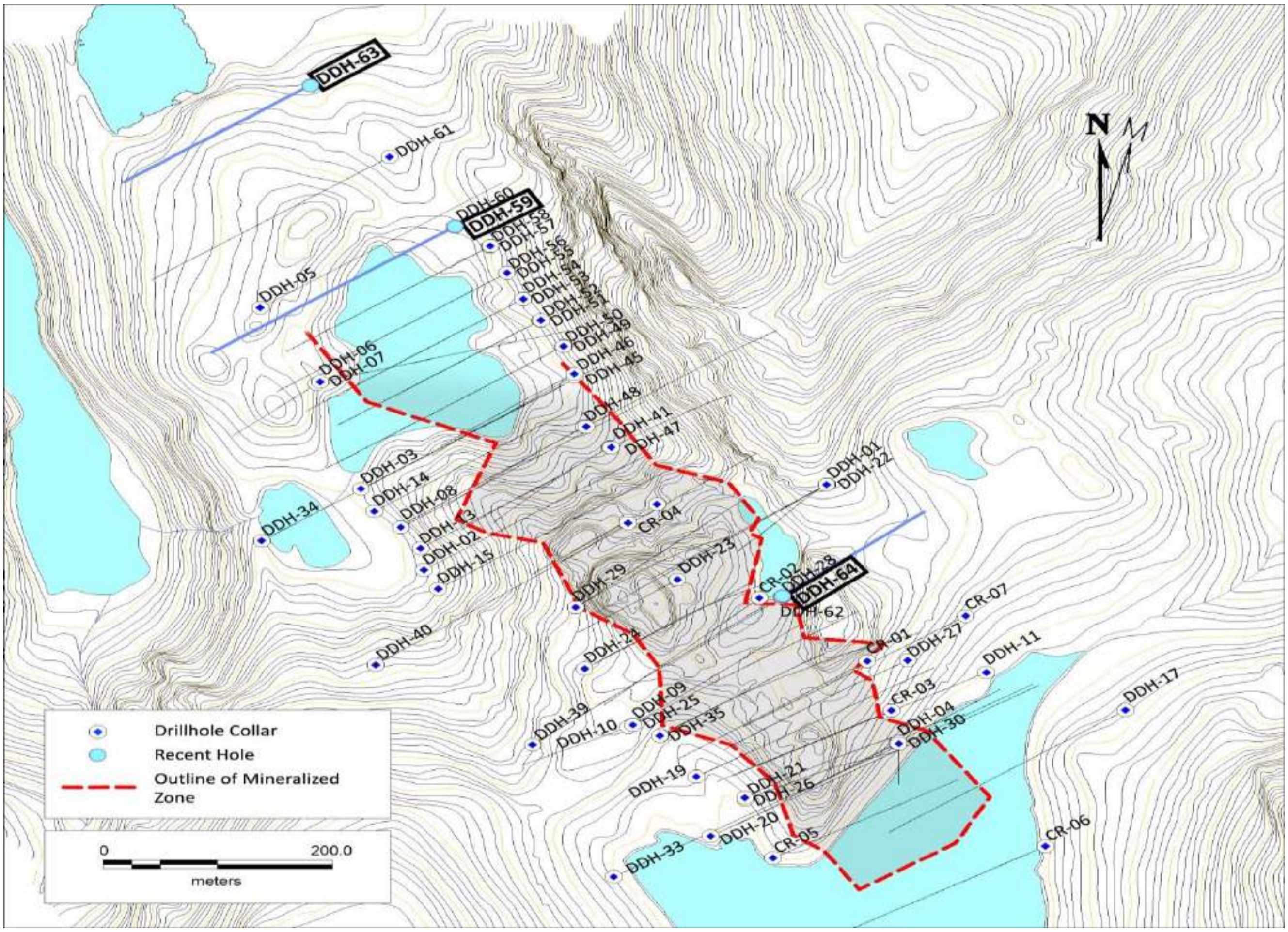
Metallurgical studies

Metallurgical testing completed in 2003 on a composite from two Crucero Gold Project drill holes achieved gold recovery results of 81% recovery of the contained gold using a combination of gravity and cyanidation. An updating of the Crucero Project's metallurgical testing began in 2012, and based on internal Whittle pit results, the Company selected four new composite metallurgical samples for the 2012 metallurgical testing program. The four composites lie within the ultimate conceptual Whittle pit shell, and represent the metallurgical characteristics that have been identified within the mineralized envelope. Comprehensive metallurgical test results are expected to be available for release by the end of the second quarter of 2013.

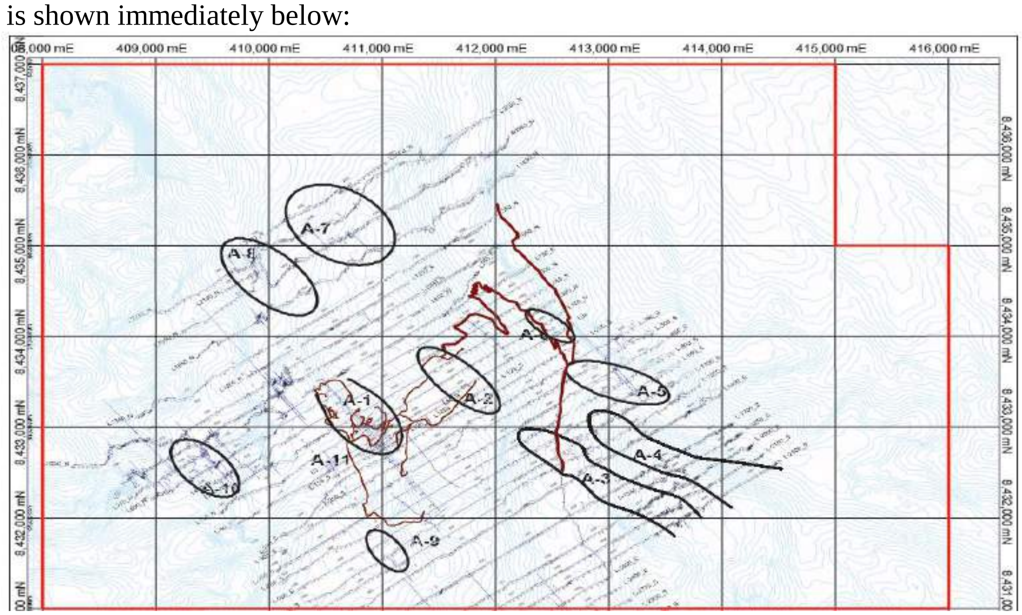
For 2012, the Company spent approximately $5.5 million on exploration and related technical and community relations costs for the Crucero Gold Project.

The outline of the mineralized envelope at A-1 projected to surface, with the locations of holes drilled to date, is shown below:

Plan View of the A1 Zone at the Crucero Gold Project



A schematic of the relative locations of the eleven anomalous zones identified as being of significant interest, is shown immediately below:



Community Relations and Social Responsibility
The Company's approach to its business and social responsibilities involves implementing strategies beneficial to the community, the environment and to Peru. The Company's commitment to these strategies extends beyond standard compliance with national and international guidelines and involves building relationships based on honesty, openness and mutual trust.

The Company continues to design and implement community relations and social responsibility plans and strategies as it identifies local and regional communities' needs, as well as the related impacts of the Company's future mining activities on these communities.

MP has a three-year renewable agreement with the local community that was signed in 2010 and expires in May 2013, which the Company has undertaken to renew. 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.

In the second quarter of 2012, the Company opened a community relations office in the town of Crucero, which is located approximately 45 kms 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.

INVICTA GOLD PROJECT

The Company, through its acquisition of Andean American, now owns the Invicta Gold Project, which is located in the Province of Huaura in northwest Peru and has a NI 43-101 compliant resource estimate comprised of 967,000 equivalent ozs Au in the measured & indicated category and 236,000 equivalent ozs Au in the inferred category.

In September 2010, Andean American commissioned SRK Consulting (U.S.) Inc. ("SRK") to conduct an independent gap analysis on the Invicta Gold Project optimized Feasibility Study ("OFS") which had been completed in July 2010. Subsequently, in October 2010, Andean American appointed SRK to upgrade the OFS to a level that would be acceptable to Senior Project Lenders. The completion date for this upgraded study was originally targeted for June 2011. The in-depth work conducted by SRK, incorporating preliminary estimates from other project consultants, indicated certain increases in the original capital costs forecast in the July 2010 study, especially in the area of roads, water, power and other infrastructure, which accounted for approximately one third of the preliminary initial capital cost estimate. Andean American management requested SRK and the partner consultants working on the project to conduct further work, specifically trade-off studies, to determine where capital costs could be optimized. Examples of trade-offs included the relocation of the plant and tailings dam to reduce duplicated infrastructure and the use of an aerial cableway transportation system to move ore, people and consumables to reduce the number of kilometres of road development.

On October 28, 2011, Andean American announced the decision to delay completion of the upgraded Feasibility Study for the Invicta Gold Project. In this announcement, management stated that this delay was necessary in the light of the (then) current financial market conditions, the significant capital requirements needed to develop the Invicta Gold Project, the need to preserve Andean American's cash balance, and the potential for opportunities for value-adding mergers and acquisitions which typically arise in such a market.
Although the upgraded Feasibility Study was not completed, Andean American disclosed that early indications were that the initial capital cost to build an underground mine at Invicta would be considerably higher than forecast in the OFS and may exceed US$150 million. Indications based on the work done to that date were that the mine plan would only support an ore production rate of 4,000 tonnes per day and not 5,000 tonnes per day as per the OFS. Management further estimated that

project operating costs could range from US$30 to US$40 per ore tonne (not finalized by SRK and other Feasibility Study consultants), compared to the US$28 per ore tonne indicated in the OFS.

In January 2012, Andean American and SRK Consulting (Canada) Inc. completed a structural geological study of the Invicta Gold Project. The objective of this study was to improve Andean American's understanding of the controls on the distribution of gold, silver and base metal mineralization at Invicta with a view to identifying additional potential mineralization and to develop an integrated structural framework to be used for future exploration targeting. This study identified a number of exploration priorities, including the possible continuation of the Atenea Vein to the north of an east-west trending dextral-reverse fault that post-dates and offsets mineralization. More detailed structural-geological mapping was undertaken by Andean American to identify exposed vein systems which are sub-parallel to the Atenea Vein and north of the Pucamina and south of the Dany Faults. In addition, Andean American was evaluating the potential for vein systems that may occur sub-parallel to the Pucamina and Dany Faults. SRK also recommended developing a structural and stratigraphic 3D model combined with a regional interpretation of available remote sensing data to identify targets covering a wider region.

On February 13, 2012, Andean American announced that it had commissioned SRK Consulting (US) Inc. to update the existing Invicta Gold Project resource estimate dated November 2009, which was subsequently completed and published on April 30, 2012. This report is entitled "NI 43-101 Technical Report on Resources, Invicta Gold Project, Huaura Province, Peru" and is available on SEDAR at www.SEDAR.com.

Extracts from the SRK Technical Report detailing the new resource estimate are 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 Grade**						**Contained Metal (000's)**					
			AuEq	**Au (g/t)**	**Ag (g/t)**	**Cu**	**Pb (%)**	**Zn**	**AuEq Oz**	**Au Oz**	**Ag Oz**	**Cu Lbs**	**Pb Lbs**	**Zn Lbs**
	Measured	131	6.65	4.29	31.71	0.73	0.39	0.38	28	18	133	2,119	1,110	1,105
Atenea -	Indicated	5,696	3.83	2.34	17.99	0.45	0.28	0.34	701	429	3,294	56,848	35,251	43,094
All Zones	M+I Inferred	5,827	3.89	2.39	18.29	0.46	0.28	0.34	729	447	3,427	58,967	36,361	44,198
	Measured	0	0.00	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0
	Indicated	868	1.97	0.54	13.45	0.58	0.11	0.09	55	15	375	11,151	2,153	1,723
Dany	M+I Inferred	868	1.97	0.54	13.45	0.58	0.11	0.09	55	15	375	11,151	2,153	1,723
	Measured	0	0.00	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0
	Indicated	1,064	2.53	1.97	6.98	0.10	0.23	0.28	87	67	239	2,277	5,315	6,614
Pucamina	M+I Inferred	1,064	2.53	1.97	6.98	0.10	0.23	0.28	87	67	239	2,277	5,315	6,614
	Measured	0	0.00	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0
Ydalias -	Indicated	12	7.16	3.63	34.89	1.43	0.29	0.19	3	1	13	379	77	51
All Zones	M+I Inferred	12	7.16	3.63	34.89	1.43	0.29	0.19	3	1	13	379	77	51
	Measured	0	0.00	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0
	Indicated	872	3.31	2.15	12.94	0.44	0.12	0.10	93	60	363	8,393	2,375	2,000
Zone 4	M+I Inferred	872	3.31	2.15	12.94	0.44	0.12	0.10	93	60	363	8,393	2,375	2,000
	Measured	131	6.65	4.29	31.71	0.73	0.39	0.38	28	18	133	2,119	1,110	1,105
Total - All	Indicated	8,513	3.43	2.09	15.65	0.42	0.24	0.28	939	573	4,285	79,048	45,171	53,482
Zones	**M+I** Inferred	**8,644**	**3.48**	**2.13**	**15.90**	**0.43**	**0.24**	**0.29**	**967**	**591**	**4,418**	**81,167**	**46,281**	**54,587**

*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.

Background: Invicta Gold Project property holdings approximating 31,600 hectares

During the first half of 2005, Andean American acquired 5,800 hectares through staking, and, in October 2005, optioned the 3,700-hectare Cornerstone property from Minera ABX Exploraciones S.A. (“ABX”), a subsidiary of Barrick Gold Corporation (“Barrick”), which had previously completed approximately 12,500 metres (over 40,000 feet) of diamond drilling on the property.

During 2007, Andean American exercised its option with ABX and, in addition to the 3,700 hectares acquired through ABX, Andean American acquired an additional 7,400 hectares of land through staking, increasing its mining concession ownership at the Invicta Gold Project to 16,900 hectares. Further staking was carried out and, in November 2007, Andean American acquired an additional 24,600 hectares of land in the area which brought the total land package at the Invicta Gold Project to 41,500 hectares. Subsequent regional work resulted in the decision to release 15,300 hectares and acquire an additional 3,500 hectares. During 2010, Andean American staked a further 3,400 hectares, increasing the total project size from 28,200 to 31,600 hectares. All of these concessions are held by Invicta Mining Corporation (“Invicta”), a wholly-owned subsidiary of Andean American.

In terms of the option agreement reached with Barrick, Andean American is required to provide Barrick with a copy of any completed Invicta Feasibility Study, and Barrick’s subsidiary ABX has a 90-day period to review the study. If the study demonstrates more than two million ounces of mineable gold-only reserves at the Invicta Project, Barrick, through its subsidiary ABX, has the option to exercise a back-in right. Should they choose to exercise this back-in right, they would be required to pay Andean American 150% of all costs incurred at Invicta in exchange for 50 plus 1% of the Project. The current optimized Feasibility Study was provided to Barrick and did not demonstrate, under the Canadian Institute of Mining and Metallurgy definition, two million ounces of mineable gold-only reserves at the Invicta Project. Should a future Feasibility Study demonstrate two million ounces of mineable gold-only reserves, Barrick would retain the option to exercise a back-in-right. In addition, Barrick’s subsidiary has a 30-calendar day right of first refusal in the event that Andean American wishes to transfer part or all of its shares and mining rights to the properties relating to the October 17, 2005 option and subsequent exercise of the option agreement on December 3, 2008.

Community and Social Responsibility

Invicta continues to work diligently with the communities affected by the Invicta Gold Project. These communities consist of farmers that cultivate mainly fruit crops along the valley roughly 2 km from the Invicta Gold Project. Three communities, namely Paran, Lacsanga and Santo Domingo de Apache, will primarily benefit from the investment made as a mine is developed and operated at the Invicta Gold Project. Before mine construction can begin, the Company and each of the three communities need to sign Surface Land Use Agreements.

To date, the Company has signed a 20-year agreement with Santo Domingo de Apache and is working towards closing the remaining two agreements as soon as reasonably possible. 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. 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.

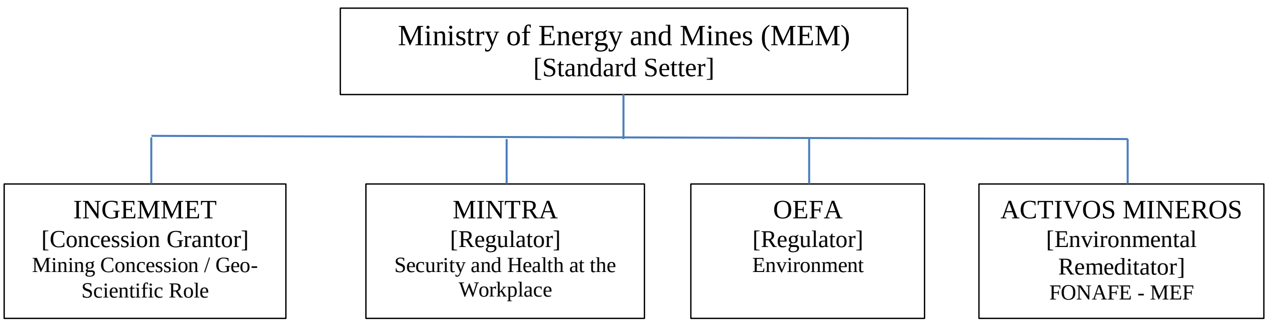
INVESTMENT IN SOUTHERN LEGACY MINERALS INC.

The Company, through its acquisition of Andean, owns 9,841,270 shares or approximately 17% of the voting shares of Southern Legacy, which trades on the TSX-V under the symbol 'LCY'. Southern Legacy's principal asset is its flagship AntaKori copper and gold project located in the Yanacocha-Hualgayoc mining district in the department of Cajamarca in northern Peru between Gold Fields' Cerro Corona and Buenaventura's and Southern Copper's Tantahuatay project.

Strategies and key drivers

Government authorities

In Peru, there is a number of mining sector authorities, as set out below:



Permitting

Three permits are required for the conduct of exploration or mining within a concession: Environmental, Community and Water. The Environmental and Water permits are renewable according to the term specified in the permits, which may be annual or bi-annual. The Community permit is an agreement between the holder of the mining concession and the local communities.

Additionally, the Company obtains an agreement and permission from the families occupying the concession areas before any exploration work is conducted, for which the Company pays a modest annual rental fee.

Environmental compliance and reclamation

The Company is committed to ensuring that it is compliant with all material aspects of the environmental regulatory environment in Peru.

The Company is not presently subject to any significant monetary environmental liabilities although there are environmental responsibilities as prescribed in the environmental permits and community/family agreements for the Crucero and Invicta Gold Projects, such as reclamation of access road, drilling platform and camp locations, and other waste rock or soil disturbances. On an ongoing basis, the Company accrues and records estimated costs for such remediation (see "*Critical Accounting Estimates*").

Concession grants

Mining activities in Peru are subject to the provisions of the Uniform Text of Mining Law, approved by the Supreme Decree N°. 014-92-EM of June 2, 1992 (hereinafter the "Mining Law"), as well as its Regulations which have been subsequently approved by Supreme Decree and/or are in effect.

Under Peruvian law, and as a general rule, any investor may carry out mining activities throughout the country. Discrimination based, inter alia, on the nationality or legal structure of the concerned investor, is precluded. However, before an applicant can carry out exploration activities, they must file a petition for a mining concession to be granted by the Mining and Metallurgic Geology Institute of Peru ("INGEMMET") to carry out any mining activities different than: reconnaissance; prospecting; and commercialization of mining products or minerals of any type and condition.

Following a review of the petition, a determination that there are no conflicts or contested rights, and favorable technical and legal opinions are given, the INGEMMET shall grant the title deed to the concession.

A concession grants to its titleholder real rights consisting of all the attributes acknowledged by the Mining Law to the concessionaires. It allows its holder to carry out exploration and exploitation activities. Exercise of the rights derived from a mineral concession, including the right to explore, develop and further exploit on an exclusive basis only the designated minerals within the internal boundaries of the mineral concession, is subject to the awarding of the required permits, authorizations and approvals, including relevant surface rights.

Concessions are irrevocable, provided the titleholder complies with the obligations imposed by the Mining Law to retain their validity.

Titleholders must respect archaeological or historical monuments, the national road system, oil pipelines, military buildings, ports or any other construction or infrastructure built for national defense or technical or scientific purposes, located within the boundaries of a mineral right.

The application for a mining concession (or pediment, as it's known in Peru) involves the following:

- an Official Form for a mining pediment has to be filled-in with information regarding the requested area and the petitioner, and filed with INGEMMET;
- the petitioner has to pay an administrative fee equivalent to 10% of a Peruvian Tax Unit and the validity fee ("License Fee") corresponding to the year in which the concession is filed; and
- an affidavit must be filed regarding the petitioner's social responsibility commitment with the communities located in the areas surrounding the concession.

After the concession is filed, it will be evaluated by the technical and legal areas of INGEMMET (which, in practice, usually takes approximately 4 weeks). If the evaluations are favourable, the petitioner will receive standard form documents (regarding the petition's existence and the area covered by it) from INGEMMET that must be published in the official gazette and in a newspaper within the area in which the concession is located.

The petitioner has 30 business days to make these publications and then 60 days to provide INGEMMET evidence that such publications have been completed. Within the next 30 business days, INGEMMET will issue additional technical and legal reports. If these reports confirm the technical and legal viability of the concession, the concession title should be granted.

The title does not allow the concession-holder itself to carry out mining exploration or exploitation. Consequently, the concession-holder shall obtain:

- the approval of the National Institute of Culture of declarations, authorizations or certificates that are required for the exercise of mining activities.
- approval of an environmental certification issued by the competent environmental authority (such as the OEFA), subject to the rules of citizen participation.
- authorization for the use of land by an agreement with the owner of the land surface or the culmination of the procedure for administrative easement, which is not a common procedure nor is it granted lightly.
- any other permissions, licenses and authorizations that are required by all applicable legislation (such as from MINTRA), according to the nature and location of the activities that will be developed.

The Company's experience is that the process for the granting of a mining concession title can take up to 28 months. However, this period could be longer if technical or legal objections are raised during the process (e.g., overlapping with other mining rights or within protected areas, etc.). Once the title is granted, its holder must wait for approximately another month to obtain an official document stating that no objections were filed against such title. Once this document is obtained, the concession-holder can apply for its recording in the

Peruvian Public Registry (which will provide full enforceability to the concession). For this, the concession-holder shall present a certified copy of the Mining Concession Title and copy of the Certificate of Consent to the Peruvian Public Registry. This recording takes approximately 5-10 days to be completed.

Notwithstanding the above, pursuant to the provisions of Article 71 of the Peruvian Constitution, foreigners are restrained from holding, directly or indirectly, property rights in areas located within 50 kilometers from any of the country's boundaries, except in case of public need expressly declared by a Supreme Decree approved by the Government's Counsel according to the pertinent laws.

The Mining Law sets forth obligations that the concession-holder must comply with in order to maintain their concessions in force, such as the concession-holder must:

(a) engage in the economic exploitation of the correspondent concession, and attain a minimum level of mineral production before the end of the tenth year following the year in which the mining concession title is issued. If production is not attained by the tenth year, annual penalties are assessed and payable until the year when the minimum level of production is attained. Should production not be attained by the fifteenth year, the concession-holder can apply for a further extension of up to an additional five years which may or may not be granted, depending upon the justification(s) given for the extension; and
(b) pay the annual License Fee based on a specific rate in effect at the time, per each hectare held.

The Mining Law also provides for the lapsing of the applicable concession in case the concession-holder does not comply with its obligations of making payments as noted above. That is, a mineral pediment or concession will be forfeited in the event that the License Fees or the penalties, when applicable, are not paid when due. Concessions for processing and mineral transportation will also be forfeited in the event the License Fees, when applicable, are not paid when due.

The concession area size generally granted ranges from a minimum of 100 to a maximum of 1,000 hectares, but may extend to a maximum of 10,000 hectares when the concessions are located in the sea.

A concession-holder may hold two or more concessions, whether or not of the same type and nature, provided that it complies with the relevant legal requirements.

Concessions may be transferred, conveyed and subjected to mortgage, while any movable assets engaged to mining activities as well as minerals extracted and/or processed from such concessions that belong to the concession-holders may be subject to pledge. Any and all of these transactions and contracts must be formally put into a public deed and registered before the Public Registry for them to be enforceable against the State and third parties.

Concession-holders are required to perform their mining activities in accordance with the systems, methods and techniques that lead to an improvement in the development of such activities, and in compliance with the health and safety and environmental regulations applicable to the mining industry in Peru. They must take all necessary steps to avoid damages against third parties, and are required to permit the entrance to the area of their concessions, at any time, of the mining authorities in charge of controlling the concession-holder's obligations.

In May 2011, changes in the Peruvian legal framework were made which require consultation with indigenous or native peoples prior to the grant or issuance of titles or rights to investors that may conflict or affect indigenous or native peoples' interests. These changes are not expected to affect any of the six mining concession titles comprising the Crucero Gold Project, as they were applied for and granted prior to the effective date of these legal provisions. For the Company, these new regulations, as well as the mandatory consultation process, were only applicable to the Pacacorral 2, Pacacorral 3 and Pacacorral 4 mineral pediments still in the petition stage of the concession-granting process at the time of their implementation.

In July 2011, the Government also announced that it would not be granting any new concessions within the Puno Region until July 2014. While the Crucero Gold Project is located within the Puno region, this action is not expected to affect the Company's development plans for the Crucero Gold Project as the concessions comprising the project area were granted or were in the petition stage of the concession-granting process prior to the effective date of the announced freeze. Most recently, the Company received the granting of a new concession for the Pacacorral 4 petition.

A listing of the Company's Crucero Gold Project concessions is as follows:

Concession Name	**Identification Code**	**Area (Ha's)**	**Petition Filing Date**	**Concession Grant Date**	**Legal Status**	**Maximum Deadline(1)(2)(3)(4)**
Mina Crucero 4	010170899	150	18-Oct-99	21-Feb-00	Concession	Year 2028
Mina Crucero 10	010065903	300	3-March-03	25-Sep-03	Concession	Year 2028
Crucero 1	010317507	650	31-May-07	10-Oct-07	Concession	Year 2028
Mina Crucero 2007	010317807	781	1- June-07	12-May-08	Concession	Year 2028
Santa Cruz 1	050024208	800	4-July-08	16-Aug-10	Concession	Year 2030
Pacacorral 1	710009309	700	7-Dec-09	3-Nov-10	Concession	Year 2030
Pacacorral 2	710013810	700	21-Sep-10	Not applicable	Petition	Not established
Pacacorral 3	710013710	600	21-Sep-10	Not applicable	Petition	Not established
Pacacorral 4	010367211	900	20-Jun-11	19-Sept-12	Concession	Year 2032

(1) Assumes the concession-holder complies with regulatory and statutory requirements, and provides sufficient justifications (which are accepted) to maximize the deadline date if required.

(2) Effective October 11, 2008, amendments were made to the determination of the maximum deadline, whereby the initial ten year period begins from the year following the issuance of mining concession title.

(3) For concessions where the mining concession title grant date was prior to October 11, 2008, the year 2018 was declared as the universal end of the ten year period for production to begin.

(4) If production is not attained by the tenth year, annual penalties are assessed and payable until the year when the minimum level of production is attained. Should production not be attained by the fifteenth year, the concession-holder can apply for a further extension of up to an additional five years which may or may not be granted, depending upon the justification(s) given for the extension.

For 2012 to date, 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 for the Crucero Project to December 31, 2012:

	Year ended December 31, 2012 $	Total from inception to December 31, 2012 $
Camp and related costs	1,505,297	2,403,735
Project administration	1,258,485	2,009,288
Drilling	1,136,420	2,595,223
Technical reports and assays	459,882	938,085
Consulting and professional fees	170,870	276,404
Transportation	235,431	466,527
Reclamation	154,504	198,752
	4,920,889	8,888,014

The carrying value of Crucero as at December 31, 2012 is $17,113,995 ($16,504,191 – December 31, 2011). The change in carrying value of $609,804 for the year ended December 31, 2012 is due to changes in foreign currency translation rates between the Canadian Dollar and Peruvian Nuevo Sol which occurred from December 31, 2011 to December 31, 2012.

A listing of the Company's Invicta Gold Project concessions is as follows:

	Concession Name	Area (Ha.s)	Identification Code	Status	Grant Date	Maximum Concession Expiry Date(1)(2)(3)(4)
1	INVICTA I	1,000	10312905	Concession	14-Oct-05	14-Oct-28
2	INVICTA II	1,000	10313005	Concession	10-Oct-05	10-Oct-28
3	INVICTA III	1,000	10313105	Concession	14-Oct-05	14-Oct-28
4	INVICTA IV	1,000	10313205	Concession	14-Oct-05	14-Oct-28
5	INVICTA V	900	10313305	Concession	10-Oct-05	10-Oct-28
6	INVICTA VI	600	10306609	Concession	8-Jan-10	8-Jan-30
7	INVICTA VII	300	10313705	Concession	17-Oct-05	17-Oct-28
8	INVICTA VIII	800	10336305	Concession	15-Oct-05	15-Oct-28
9	INVICTA IX	800	10336405	Concession	16-Nov-05	16-Nov-28
10	INVICTA X	900	10336505	Concession	3-Nov-05	3-Nov-28
11	INVICTA XI	1,000	10336605	Concession	16-Nov-05	16-Nov-28
12	INVICTA XII	600	10336705	Concession	16-Nov-05	16-Nov-28
13	INVICTA XV	1,000	10169606	Concession	27-Apr-06	27-Apr-28
14	INVICTA XVI	300	10169706	Concession	2-May-06	2-May-28
15	INVICTA XVII	1,000	10596907	Concession	10-Dec-07	10-Dec-28
16	INVICTA XVIII	1,000	10597007	Concession	12-May-08	12-May-28
17	INVICTA XIX	1,000	10598907	Concession	18-Feb-08	18-Feb-28
18	INVICTA XX	1,000	10599007	Concession	11-Dec-07	11-Dec-28
19	INVICTA XXI	500	10601907	Concession	10-Dec-07	10-Dec-28
20	INVICA XXII	800	10602007	Concession	11-Dec-07	11-Dec-28
21	INVICTA XXIII	1,000	10622307	Concession	30-Sep-10	30-Sep-30
22	INVICTA XXV	1,000	10622507	Concession	30-Sep-10	30-Sep-30
23	INVICTA XXVI	900	10103709	Concession	20-May-09	20-May-29
24	INVICTA XXX	800	10103809	Concession	20-May-09	20-May-29
25	INVICTA XXXI	500	10103909	Concession	29-Apr-09	29-Apr-29
26	INVICTA XXXII	1000	10104009	Concession	19-May-09	19-May-29
27	INVICTA XXXIII	1000	10104109	Concession	29-Apr-09	29-Apr-29
28	INVICTA XXXIV	800	10104209	Concession	29-Apr-09	29-Apr-29
29	INVICTA XXXV	1,000	10104309	Concession	22-Jan-10	22-Jan-30
30	INVICTA XXXVI	617	10209010	Concession	26-Jul-10	26-Jul-30
31	INVICTA XXXVII	800	10208910	Concession	20-Jul-10	20-Jul-30
32	INVICTA XXXVIII	1000	10476110	Concession	7-Jan-11	7-Jan-31
33	INVICTA XXXIX	900	10476210	Concession	10-Dec-10	10-Dec-30
34	INVICTA XL	1000	10573411	Concession	10-Dec-10	10-Dec-30
35	INVICTA XLII	800	10573511	Concession	10-Dec-10	10-Dec-30
36	INVICTA XLIII	600	10573611	Concession	10-Dec-10	10-Dec-30
37	INVICTA XLV	800	10573811	Concession	10-Dec-10	10-Dec-30
38	INVICTA XLVI	1000	10281912	Concession	10-Dec-10	10-Dec-30
39	INVICTA XLVII	1000	10282012	Concession	10-Dec-10	10-Dec-30
40	INVICTA XLVIII	500	10282012	Petition	16-Jul-12	16-Jul-32
41	INVICTA XLIX	300	10281812	Concession	10-Dec-10	10-Dec-30
42	VICTORIA UNO **(5)**	1,000	10334195	Concession	23-May-96	23-May-28
43	VICTORIA DOS **(5)**	400	10336295	Concession	21-Jun-96	21-Jun-28
44	VICTORIA TRES **(5)**	900	10335795	Concession	14-Jun-96	14-Jun-28
45	VICTORIA CUATRO **(5)**	400	10197196	Concession	20-Sep-96	20-Sep-28
46	VICTORIA SIETE **(5)**	1,000	10231196	Concession	11-Oct-96	11-Oct-28

(1) Assumes the concession-holder complies with regulatory and statutory requirements, and provides sufficient justifications (which are accepted) to maximize the deadline date if required.

(2) Effective October 11, 2008, amendments were made to the determination of the maximum deadline, whereby the initial ten year period begins from the year following the issuance of mining concession title.

(3) For concessions where the mining concession title grant date was prior to October 11, 2008, the year 2018 was declared as the universal end of the ten year period for production to begin.

(4) If production is not attained by the tenth year, annual penalties are assessed and payable until the year when the minimum level of production is attained. Should production not be attained by the fifteenth year, the concession-holder can apply for a further extension of up to an additional five years which may or may not be granted, depending upon the justification(s) given for the extension.

(5) Comprise part of the Invicta Gold Project resource footprint – these concessions are also subject to the Barrick Royalty Agreement.

For 2012 to date, the Company is, to its knowledge, in full compliance with all of its Invicta Gold Project concession-holder requirements, and the above-referenced concessions are in good standing.

Following is a listing of the Company's exploration expenditures for the Invicta Project from October 1 to December 31, 2012:

	Three months ended December 31, 2012 $
Camp and related costs	216,596
Project administration	218,768
Technical reports and assays	582
Consulting and professional fees	114,921
Transportation	2,748
	553,615

The carrying value of the Invicta Project mineral property as at December 31, 2012 is $10,853,402 ($10,252,445 – October 1, 2012). The change in carrying value of $600,957 for the period ended December 31, 2012 is due to changes in foreign currency translation rates that occurred between the Canadian Dollar and Peruvian Nuevo Sol from October 1, 2012 to December 31, 2012.

Summary of Annual and Quarterly Information

Selected Annual Information

Financial Data for Last Three Fiscal Years *In thousands of Canadian Dollars, except for per share amounts*			
Fiscal year ended	2012	2011	2010
Exploration expenses	$5,475	$2,953	$1,014
General and administrative expenses	$2,673	$2,156	$534
Loss	$9,596	$5,535	$1,901
Basic and diluted loss per share	$0.18	$0.14	$0.13

Loss per share is calculated on the loss attributable to the equity owners of the parent company.

	December 31, 2012	December 31, 2011	December 31, 2010
Total assets	$42,780	$30,493	$16,417

The Company adopted International Financial Reporting Standards (IFRS) on January 1, 2010. The figures are presented in Canadian Dollars, which is Lupaka Gold's and AAG's functional currency. The functional currency of MP, IMC, AES and Greenhydro is the Peruvian Nuevo Sol.

The following table presents selected unaudited quarterly operating results for each of the last eight quarters. Selected quarterly financial information is reported in accordance with IFRS.

Financial Data for Last Eight Quarters (Unaudited)								
In thousands of Canadian Dollars, except for per share amounts								
Three-month period ended	**Dec-12**	**Sep-12**	**Jun-12**	**Mar-12**	**Dec-11**	**Sep-11**	**Jun-11**	**Mar-11**
Total revenues	$0	$0	$0	$0	$0	$0	$0	$0
Exploration expenses	$2,193	$1,624	$989	$669	$1,263	$712	$556	$423
General and administrative expenses	$963	$388	$558	$764	$641	$337	$541	$636
Accretion expense	$0	$0	$0	$22	$109	$123	$213	$213
Interest (income)	$(34)	$(4)	$(8)	$(12)	$(40)	$(43)	$0	$0
Impairment loss on available-for-sale financial asset	$1,476	$0	$0	$0	$0	$0	$0	$0
Foreign exchange loss (gain)	$(20)	$7	$(2)	$23	$(31)	$36	$(30)	$(124)
Loss	$4,578	$2,015	$1,537	$1,466	$1,942	$1,165	$1,280	$1,148
Basic and diluted loss per share	$0.06	$0.05	$0.03	$0.03	$0.04	$0.02	$0.04	$0.04

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 timing of the Company's exploration activities, share-based compensation, accretion expense on the Company's outstanding payment obligations to the MP Vendors, as well as 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 issuances 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 comparing the three and twelve months ended December 31, 2012 to the three and twelve months ended December 31, 2011 are as follows:

	Three months ended December 31		Twelve months ended December 31	
	2012	2011	2012	2011
	$	$	$	$
Operating expenses				
Exploration	2,192,733	1,262,637	5,474,504	2,953,125
General and administration	963,539	640,736	2,672,980	2,155,326
Operating loss	3,156,272	1,903,373	8,147,484	5,108,451
Impairment loss on available-for-sale financial asset	1,476,189	–	1,476,189	–
Finance expense – accretion	–	108,991	22,381	658,220
Finance income – interest	(34,609)	(39,431)	(58,294)	(82,995)
Foreign exchange loss (gain)	(20,005)	(30,877)	8,453	(148,894)
Loss for the period	4,577,847	1,942,056	9,596,213	5,534,782
Loss per share - Basic and diluted	$0.06	$0.04	$0.18	$0.14

The losses for the three and twelve months ended December 31, 2012 were larger than for the comparative periods in 2011, reflecting the Company's increase in operations for 2012, as well as transaction and closing costs related to the acquisition of Andean American.

The largest components of the fourth quarter's exploration expenses were $496,760 ($219,645 – three months ended December 30, 2012) for camp and related costs, $467,155 ($578,058 – three months ended December 31, 2011) for drilling, $303,692 ($191,697 – three months ended December 31, 2012) for project administration and $192,745 for technical reports and assays ($113,922 – three months ended December 31, 2012).

The largest components of the exploration expenses for the year ended December 31, 2012 were $1,721,893 ($608,711 – year ended December 31, 2012) for camp and related costs, $1,477,253 ($577,705 – year ended December 31, 2012) for project administration, $1,136,420 ($1,185,021 – year ended December 31, 2012) for drilling and $460,465 ($331,953 – year ended December 31, 2012) for technical reports and assays.

The significant increases in project administration and camp and related costs, in 2012 directly reflect a comparable increase in personnel and operational levels that were achieved in Peru during 2012 in accordance with the Company's 2012 development and exploration plans, as well as the addition of operations at the Invicta Gold Project.

General and administrative expenses, which all relate to the Canadian operations of Lupaka Gold and Andean American, totalled $963,539 for the three months ended December 31, 2012, ($640,736 – three months ended December 31, 2011) and included:

- salaries and benefits of $380,925 ($305,795 – three months ended December 31, 2011), the increase due largely to fees totaling $60,980 paid to former employees of Andean American to assist with post-acquisition transition activities;

- professional and regulatory fees of $235,492 ($96,080 – three months ended December 31, 2011), the increase reflecting costs associated with the acquisition of Andean American, as well as higher estimated 2012 audit costs and;
- corporate development costs of $101,648 ($Nil – three months ended December 31, 2011), reflecting costs associated with the acquisition of Andean American.

General and administrative expenses totalled $2,672,980 for 2012 ($2,155,326 – 2011) and included:

- salaries and benefits of $1,174,051 ($1,095,616 – 2011), the increase due largely to fees totaling $60,980 paid to former employees of Andean American to assist in the transition;
- shareholder and investor relations expenses of $594,448 ($452,201 –2011), the increase reflecting increased travel, including to mining conferences, news release dissemination costs and printing of presentation materials;
- professional and regulatory fees of $433,633 ($330,411 – 2011), the increase reflecting costs associated with the acquisition of Andean American, as well as higher estimated 2012 audit costs; and
- corporate development costs of $176,991 ($Nil –2011), reflecting costs associated with the acquisition of Andean American.

Also included in exploration and general and administration expenses for the three and twelve months ended December 31, 2012 and 2011 was share-based compensation (a non-cash expense reflecting the estimated value of share option benefits to option-holders for the period), in the expense categories noted below:

	Three months ended December 31		Twelve months ended December 31	
	2012	2011	2012	2011
	$	$	$	$
Salaries and benefits	186,189	179,805	439,365	577,002
Project administration	–	135,284	217,476	224,859
Camp and related	55,704	–	61,350	–
Shareholder and investor relations	35,020	60,884	120,748	142,251
Professional and consulting fees	4,920	7,532	15,525	27,874
Total share-based compensation	281,833	383,505	854,464	971,986

Until the Company completed its buyout of the non-controlling interest of MP on January 19, 2012, the Company accrued $22,381 ($658,220 – year ended December 31, 2011) in accretion expense on the amounts due to the MP Vendors (see Note 4 to the Audited Financial Statements). In the three months ended December 31, 2012, there was a foreign exchange gain of $20,005 and during the year ended December 31, 2012 there was a foreign exchange loss of $8,453 due to a difference in exchange rates between December 31, 2011 and December 31, 2012.

As a result of the AAG acquisition, the Company owns 9,841,270 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 $3,985,714. As at December 31, 2012, the aggregate fair market value of this investment, as quoted by the TSX Venture Exchange, was $2,509,524, for which the

Company has recorded an impairment loss of $1,476,189 for the year ended December 31, 2012 in other operating expenses.

The Company's deficit was $19,539,420 as at December 31, 2012 (December 31, 2011 - $6,202,525), with $9,568,141 reflecting the loss incurred for the year ended December 31, 2012 attributable to the shareholders of the Company and $3,768,754 relating to the Company's purchase of the non-controlling interest.

Liquidity and Capital Resources

In thousands of Canadian Dollars	December 31, 2012 $	December 31, 2011 $
Cash and cash equivalents	10,716,267	13,477,024
Working capital (defined as current assets less current liabilities)	9,736,874	10,405,802
Total assets	42,780,422	30,493,374
Current liabilities	1,563,157	3,316,964
Long-term debt	–	66,105
Shareholders' equity	41,217,265	21,352,068

The principal changes in the Company's cash during the year ended December 31, 2012 were as follows:

- Cash used in operating activities during the year ended December 31, 2012 was $8,080,702 (2011 – $3,337,779).
- Net cash from investing activities in the year ended December 31, 2012 totalled $9,366,062 (2011 – (3,111,588)), and was primarily a result of the cash acquired on the acquisition of Andean American on October 1, 2012 of $13,501,866 offset by MP acquisition costs of $3,056,700 (2011 - $2,885,700), equipment purchases of $308,816 (2011 – $225,888), and $770,288 (2011 – $Nil) in due diligence and related transaction costs pursuant to the acquisition of Andean American.
- Net cash used in financing activities during 2012 totalled $4,025,600, resulting from the payment of $4,075,600 (US $4 million) for the remaining 40% of MP that it did not already own and the exercise of stock options. In 2011, the Company received cash totaling $19,835,936 pursuant to the IPO.

Overall, the primary reason for the increase in the Company's assets during the year ended December 31, 2012 was the acquisition of Andean American and its subsidiaries, which was offset by the MP acquisition payments made in January 2012 to the (then) non-controlling shareholders of MP.

Total current liabilities as at December 31, 2012 were $1,563,157, comprised of $1,019,335 of accounts payable and accrued liabilities for current community obligations, drilling and assays, and provisions for reclamation totaling $543,822. Total current liabilities as at December 31, 2011 were $3,316,964, including $2,816,016 due to the MP vendors. In January 2012, the final US $3,000,000 instalment payment due to the MP Vendors by July 2012 pursuant to Lupaka's initial acquisition of 60% of MP (see "*Buy-out of MP Vendors*") was paid to the MP Vendors.

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.

Cash and cash equivalents approximate $9 million as at March 27, 2013, which management believes is sufficient to fund the Company's planned head office and Peru exploration activities into 2014, as a result of the implementation of planned cost reductions in the areas of administration, investor relations and exploration.

On an ongoing basis, the Company examines various financing alternatives to address future funding requirements. Additionally, the Company is evaluating its potential opportunities to monetize certain of its non-core assets, such as the Invicta Gold Project and Southern Legacy shareholdings. There is no guarantee of the sufficiency or success of these initiatives.

As at December 31, 2012, the Company's aggregate common share capital was $55,781,944 (December 31, 2011 - $24,602,786) representing 81,751,769 issued and outstanding common shares without par value (December 31, 2011 - 39,462,451) and 8,079,167 share purchase warrants outstanding (December 31, 2011 - 7,466,667) with a fair value of $801,809.

Outstanding Share Data

As at March 27, 2013, the following securities were issued and outstanding:

- basic – 84,972,896 common shares
- fully-diluted – 99,214,763 common shares, after including:
    - 6,162,700 stock options, with exercise prices ranging from $0.40 to $4.08, of which 4,307,200 options are vested; and
    - 8,079,167 share purchase warrants, with a weighted average exercise price of $2.22.

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.

Use of Proceeds from the IPO

The principal purposes of the net proceeds of the IPO as set out in the Final Prospectus, along with management's comments as to their status are as follows:

Crucero Gold Project Phase One Work Programs - Phase One: A-1 Zone and Regional Exploration

The figure of $3.3 million (US $3.4 million) estimated in the Final Prospectus assumed that the Company would fund 100% of the recommended Phase One work program expenditures. However, the MP Vendors agreed to perform drilling services for MP for exploration of the Crucero Gold Project pro-rata in accordance with their shareholdings. As a result of the reduction in the amount of Phase One drilling work conducted (see "*Mineral Property*" above), and the amount of drilling services provided by the MP Vendors, only $2.3 million in cash was required from the Company.

Crucero Gold Project Acquisition Payments

The $2.9 million (US $3.0 million) acquisition payment relating to the purchase of the Company's initial 60% of shares of MP (the "MP Shares") due in July 2011 was completed on July 14, 2011 at a cost of $2.9 million.

The $2.2 million (US $2.25 million) acquisition payment relating to the purchase of the MP Shares due in July 2012 was based on certain assumptions regarding payment of US $750,000 in equivalent shares of the Company, currency exchange and amortization. As at December 31, 2011, the fair value of this amount, excluding any share issuance, was estimated to be $2.8 million. As part of the MP Vendors buyout, $3.1 million (US $3.0 million) was paid to satisfy this payment obligation.

The estimated cost of $7.75 million to acquire the remaining 40% of MP not held by the Company was based on certain assumptions. This original estimate was based on 1,258,410 gold ounces for the Crucero Gold Project, using uncapped assay values and a cut-off grade of 0.4g/t, a market price for gold of US $1,435 per ounce and a C$:US$ exchange rate of 0.9688. On January 19, 2012, the Company completed the Buyout from MP Vendors for $4.1 million (US $4 million) in cash and 5.2 million common shares of the Company (with a fair value of $1.00 per share). By using non-cash consideration, the Company was able to pay approximately $3.65 million less in cash than estimated in the Use of Proceeds.

General and Administrative Costs

Subsequent to the IPO, the Company accelerated the building of its corporate and Peru operations' teams in order to attain higher levels of operational expertise sooner and, consequently, exceeded the $2.2 million cash figure quoted in the IPO for its estimated general and administrative costs for the 18 months ended December 2012 by approximately $500,000. These additional costs were funded using the cash savings noted above.

In summary, the net effect of the actual versus estimated Use of Proceeds of the IPO noted above is an overall (net) cash savings of $3.25 million, excluding general and administrative costs. These cash savings are being used to fund the Company's 2012 drilling and technical programs.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

Related party transactions for the Company for the twelve months ended December 31, 2012 and 2011 are as follows:

- The Company paid consulting fees of $90,625 plus HST during 2012 ($65,000 – 2011) to Gordann.
- The Company paid consulting fees of $120,000 plus HST during 2012 ($120,000 – 2011) to Havilah.
- The Company paid consulting fees of $8,571 during 2012 ($8,223 – 2011) to a family member of Gordon Ellis.
- The Company accrued or paid drilling invoices of $Nil during 2012 ($991,086 – 2011) to GeoDrill S.A.C. ("GeoDrill"), a company controlled by the MP Vendors. As at December 31, 2012, the amount payable to GeoDrill, which is no longer considered to be a related party, was $64,669 (US $65,000).
- The Company paid or accrued office staffing, administrative fees and reimbursed miscellaneous costs of $Nil plus applicable HST during 2012 ($15,514 – 2011) to ABE.

As at December 31, 2012, there were no amounts payable to related parties.

Critical Accounting Estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing its 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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of mineral properties – the carrying value of the Company's mineral properties are 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. The recoverable amount of an asset is measured at fair value less costs to sell.

Reclamation obligations – provision is made for the anticipated costs of future reclamation and rehabilitation of mining areas which have been altered due to exploration activities and from which natural resources have been extracted to the extent that a legal or constructive obligation exists. These provisions include future cost estimates associated with reclamation, the calculation of which requires assumptions such as application of environmental legislation, available technologies and engineering cost estimates. A change in any of the assumptions used may have a material impact on the carrying value of reclamation provisions.

Accounting Policies

The Company's Audited Financial Statements have been prepared in accordance with and using accounting policies in full compliance with Part I of the Canadian Institute of Chartered Accountants Handbook standards. This is comprised of IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

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 respectively, 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 in loss.

Financial assets and liabilities

The Company's financial instruments consist of cash and cash equivalents,
trade and other receivables, investment in Southern Legacy, trade and other payables, and amounts due to non-controlling shareholders and to related parties.

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, which includes transaction costs. 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 are designated as "loans and receivables" and are measured at fair value. Trade and other receivables are designated as "loans and receivables". The Company's investment in Southern Legacy is classified as "available for sale". Trade and other payables, including 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, either directly or through the use of an allowance account 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, which include credit risk, liquidity risk, and market risk, including foreign exchange risk, interest rate risk, and commodity price risk.
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. The Company's trade and other receivables consist of HST receivable due from the Government of Canada and IGV from the Government of Peru.

Companies can apply for recovery of Impuesto General A Las Vuentas ("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, 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 has 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 financial leverage. At December 31, 2012, the Company's contractual obligations (undiscounted) are as follows:

	Due in less than 1 year $
Trade and other payables	1,019,335
Provision for reclamation	543,822
Total	1,563,157

Market risk

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

Foreign exchange risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has subsidiaries that operate in Peru and as such, a portion of its expenses are incurred in Peruvian Nuevo Soles and US Dollars. 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 the following financial assets and liabilities denominated in US Dollars ("USD") and Peruvian Nuevo Soles ("PEN"):

	USD $	PEN S/.
Cash and cash equivalents	1,359,280	200,507
Trade and other receivables	–	497,464
Current liabilities	(165,577)	(2,820,321)

Based on the above net exposures as at December 31, 2012, and assuming that all other variables remain constant, a 10% appreciation (depreciation) of the Canadian Dollar against the US Dollar or Peruvian Nuevo Sol would result in an increase or decrease of approximately +/- $119,000 and +/-$83,000 respectively in the Company's net loss.

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 December 31, 2012, a 10% fluctuation in its market value would result in an increase or decrease of approximately $251,000 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 December 31, 2012, 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 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. 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, trade and other payables and provision for reclamation 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.

For the year ended December 31, 2012, an evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined by the rules of the Canadian Securities Administrators, was performed by the Company's management with the oversight of the chief executive officer and chief financial officer. Based upon that evaluation, the Company's chief executive officer and chief financial officer have concluded that as of the end of the 2012 fiscal year, the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company is: (i) recorded, processed, summarized and reported within the time periods specified in Canadian securities law; and (ii) accumulated and communicated to the

Company’s management, including its chief executive officer and chief financial officer, to allow timely decisions regarding 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 financial statements in accordance with IFRS, that the Company’s assets are safeguarded, and that expenditures are made in accordance with appropriate authorization.

Management has assessed the effectiveness of the Company’s internal control over financial reporting as at December 31, 2012. In making its assessment, management used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework in Internal Control – Integrated Framework to evaluate the effectiveness of the Company’s internal control over financial reporting.

Based on this assessment, management has concluded that the Company’s internal control over financial reporting was effective as of December 31, 2012.

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 fiscal year and quarter ended December 31, 2012, 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 set out in its AIF, which is available at www.sedar.com.

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