MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the unaudited condensed consolidated interim financial statements of Lupaka Gold Corp. ("Lupaka Gold") and the notes thereto for the three and nine months ended September 30, 2012 (collectively referred to hereafter as the "Interim Financial Statements").

In this MD&A, the "Company", or the words "we", "us", or "our", collectively refer to Lupaka Gold and Minera Pacacorral S.A.C. ("MP"), Lupaka Gold's 100%-owned Peruvian subsidiary.

This MD&A provides management's comments on the Company's operations for the three and nine months ended September 30, 2012 and the Company's financial condition as at September 30, 2012, as compared with the preceding year.

The effective date of this MD&A is November 8, 2012.

The Interim 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") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 Interim Financial Reporting..

For a complete understanding of the Company's business environment, risks and uncertainties and the effect of accounting estimates on its results of operations and financial condition, this MD&A should be read together with the Company's Interim Financial Statements, the Company's audited consolidated financial statements for the year ended December 31, 2011; the 2011 Annual Information Form (the "AIF"); and the Company's final prospectus (dated June 15, 2011), each of which can be found at www.sedar.com.

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

The Interim Financial Statements and this MD&A were reviewed and approved by the Company's Audit Committee of the Board of Directors, and the Board of Directors on November 8, 2012.

Corporate Merger

Effective October 1, 2012, the Company acquired all of the outstanding common shares of Andean American Gold Corp. ("Andean American") upon the closing of the previously announced statutory plan of arrangement. Pursuant to the plan of arrangement, each Andean share was exchanged for 0.245 of a common share of Lupaka Gold (a "Lupaka Share"). This transaction resulted in the shareholders of Andean American owning 45.27 per cent of the outstanding common shares of Lupaka Gold. Additionally, holders of Andean American stock options and warrants are entitled to receive upon exercise, 0.245 of a Lupaka Share in lieu of one Andean common share at an effective exercise price per Lupaka Share generally determined by dividing the exercise price per Andean common share in effect immediately before the completion of the Arrangement by 0.245. Further, David Rae and Paulo Bilezikjian, former directors of Andean American, were appointed to serve on the board of directors of Lupaka Gold.

As a result of the acquisition by the Company of Andean American, Lupaka Gold acquired: approximately $12.5 million in cash, net of approximately $1.4 million transaction-related and change-of-control costs; the Invicta Gold Project located in central Peru, which has near-term underground gold and poly-metallic development potential; and a strategic 17% stake in Southern Legacy Minerals Inc., owner of the AntaKori copper-gold project located in the mineral prolific Yanacocha mining district of northern Peru. The AntaKori Project currently has a NI 43-101 compliant inferred resource estimate of 5.9 billion pounds of copper equivalent at an average grade of 0.92% copper equivalent.

See www.sedar.com for the Corporate Merger documents filed in connection with this transaction.

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; expected use of proceeds; business objectives; the acquisition of the assets and liabilities of Andean American; the acquisition of interests in mineral properties; the timing of completion and success of community relations, exploration activities, permitting and related programs on the Crucero Gold Project and Invicta Gold Project; the timing of issuing common shares to K-Rok Minerals Inc. ("K-Rok") pursuant to the Assignment and Assumption Agreement; requirements for additional capital; the estimation of mineral resources; and the acquired 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 2012 and 2013 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 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 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 fluctuations; 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. The Company's common shares and share purchase warrants trade on the Toronto Stock Exchange under the symbols LPK and LPK.WT, respectively.

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

- On October 1, 2012, the Company announced the closing of the acquisition of Andean American. As a result of this transaction, the Company acquired approximately $12.5 million in cash, net of approximately $1.4 million transaction-related and change-of-control costs. As at November 8, 2012, cash and cash equivalents approximate $12.3 million, which, after funding the remainder of the Company's planned 2012 head office and Peru exploration activities, is projected to leave approximately $11 million in cash as at December 31, 2012;

- 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 date (see www.lupakagold.com News/2012 News Releases for significant intercepts and additional results);

- Using the results of the 2011 Drill Program (see "Mineral Project" below), the Company released an independent NI 43-101 update of the Company's resources at the Crucero Gold Project on March 5, 2012. The update was prepared by Wardrop (a Tetra-Tech company) and reported a 45% increase in the indicated resource at the A-1 Zone to 1,145,000 gold ounces. In addition, the Company reported a 59% increase in the inferred resource to 647,000 gold ounces at the A-1 Zone. Both increases are relative to the last resource update completed in February 2011 for the Crucero Gold Project; and

- 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
Overall, the Company's primary objectives are to continue its mineral development and exploration activities on the Crucero Gold Project, to evaluate exploration potential and other options regarding the Invicta Project, maximize the potential return on its acquired investment in Southern Legacy Minerals, and to acquire other mineral resource properties in Peru that are assessed to be of merit.

In particular, for the balance of 2012, the Company's Crucero development and exploration plans include:

❖ Completion of the 2012 drill program, which began in May 2012, of which approximately 80% is comprised of resource expansion drilling at the A-1 Zone, with the balance on additional targets, beginning with the Chaska Zone (formerly called the A-3/A-4/A-5 Zones) – see *"Mineral Projects - 2012 Drill and Technical Programs"*; and

❖ Continuation of a comprehensive metallurgical study of the A-1 Zone resource.

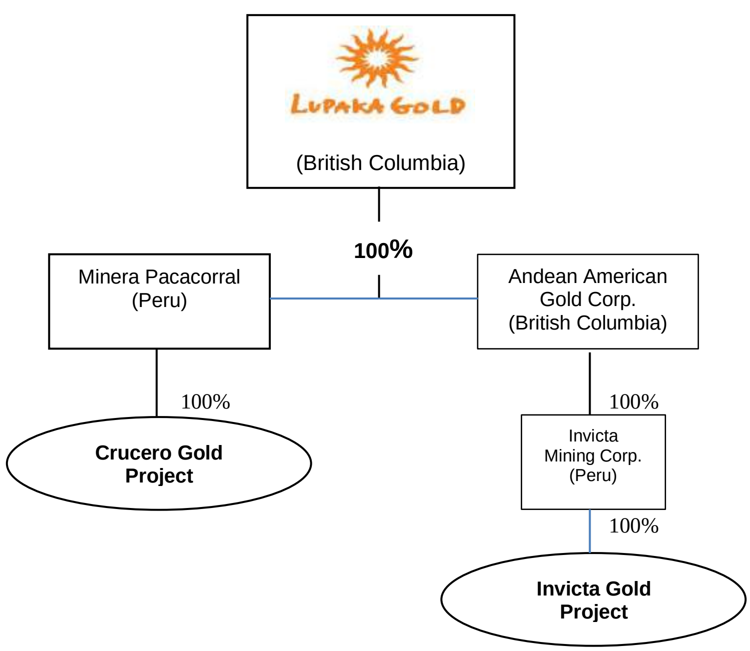
Corporate Structure

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. Lupaka Gold's 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 Corporate Merger 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 November 8, 2012.



Lupaka Gold's common shares (LPK) and share purchase warrants (LPK.WT) trade on the Toronto Stock Exchange (TSX), and the Frankfurt Exchange (LQN – common shares only).

The Company is also in the process of obtaining a listing on the Lima Stock Exchange (commonly referred to as the BVL).

As at November 8, 2012, Lupaka Gold had a market capitalization of approximately $37 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 an exploration camp at the Crucero 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 corporate consulting services.

From December 2011 and through to September 30, 2012, the number of employees of the Company was as follows:

	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012
Vancouver, Canada	8	8	8	8
Peru (excluding Invicta Project staff)				
Administration	6	7	7	9
Exploration & Technical	26	31	39	43
Total	40	46	54	60

The number of Crucero exploration-related employees varies through the year as 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.

Effective with the October 1, 2012 closing of the Corporate Merger, Andean American's Toronto (head) office was closed and the employment of the head office staff was terminated. As of November 8, 2012, the former Andean American Peru operations employ 19 staff, who have been retained while Lupaka Gold evaluates its staff requirements and its options for the Invicta Gold Project.

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 40% minority interest in MP, with the result that MP became a 100%-owned subsidiary of Lupaka Gold Corp.

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. From commencement of operations to date, the Company has focused on raising capital and conducting drilling and exploration at the Crucero Gold Project.

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.

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

2011
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 its 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 payments required to maintain the Assigned Concessions and to complete a 3,000 metre drilling program on the Assigned Concessions, all of which has been done. The mineralized zone in respect of which the resource estimates contained in the March 2, 2012 Technical Report (see "*Mineral Project*" below) were prepared is located on the Assigned Concessions and is known as the A-1 Zone.

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.

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. Consequently, a fair value of $598,045 was included as a cost of the July 2010 acquisition of the Crucero Gold Project mineral properties.

As at September 30, 2012 the Company's resource estimate is approximately 1.792 million combined ounces of indicated and inferred gold resources. Under the terms of the Assignment and Assumption Agreement, if the share-based contingent consideration had been paid to K-Rok on September 30, 2012, approximately 1,966,000 shares of the Company would have been issued to K-Rok.

No K-Rok Contingent Shares have been issued to date.

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.

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 March 2, 2012). This updated resource estimate was prepared by Gregory Mosher of Wardrop, a Tetra Tech Company ("Tetra Tech") of Vancouver, Canada. 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 26, 2012.

Using a 0.4 g/t cutoff grade, the resource consists of an Indicated resource of 1,144,667 ounces of gold at an average capped grade of 1.03 g/t, and an Inferred resource of 646,716 ounces of gold at an average capped grade of 0.69 g/t. The Crucero Gold Project also hosts additional anomalies that the Company believes are prospective for gold exploration.

	CRUCERO A-1 ZONE					
	Cutoff (g/t)	**Tonnes**	**Au (g/t)**	**Gold (Oz) Uncapped**	**Au Capped (g/t)**	**Gold (Oz) Capped ***
Indicated	0.4	34,641,000	1.12	1,233,315	1.03	**1,144,667**
Inferred	0.4	28,966,000	0.75	694,094	0.69	**646,716**

* - Assay values capped at 17 g/t

2010 Drilling 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 Drilling Program

The Company stopped drilling for the 2011 season as planned in December 2011, completing 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 Drilling and Technical Programs

For 2012, the Company has budgeted approximately $3.6 million for exploration, technical, community relations and capital improvement costs for the Crucero Gold Project, of which approximately $3.3 million was accrued and spent in the nine months ended September 30, 2012.

Drilling for the 2012 season commenced in late May, which is approximately 45 days later than normal, as a result of the longer than normal rainy season experienced this year.

Lupaka Gold has two diamond drill core rigs presently working full-time on the Crucero Gold Project, and has completed 14 drill holes in the A-1 Zone, for a total of approximately 6,000 metres since the 2012 drilling season commenced. The Plan View below illustrates the location of the drill holes in the A-1 Zone.

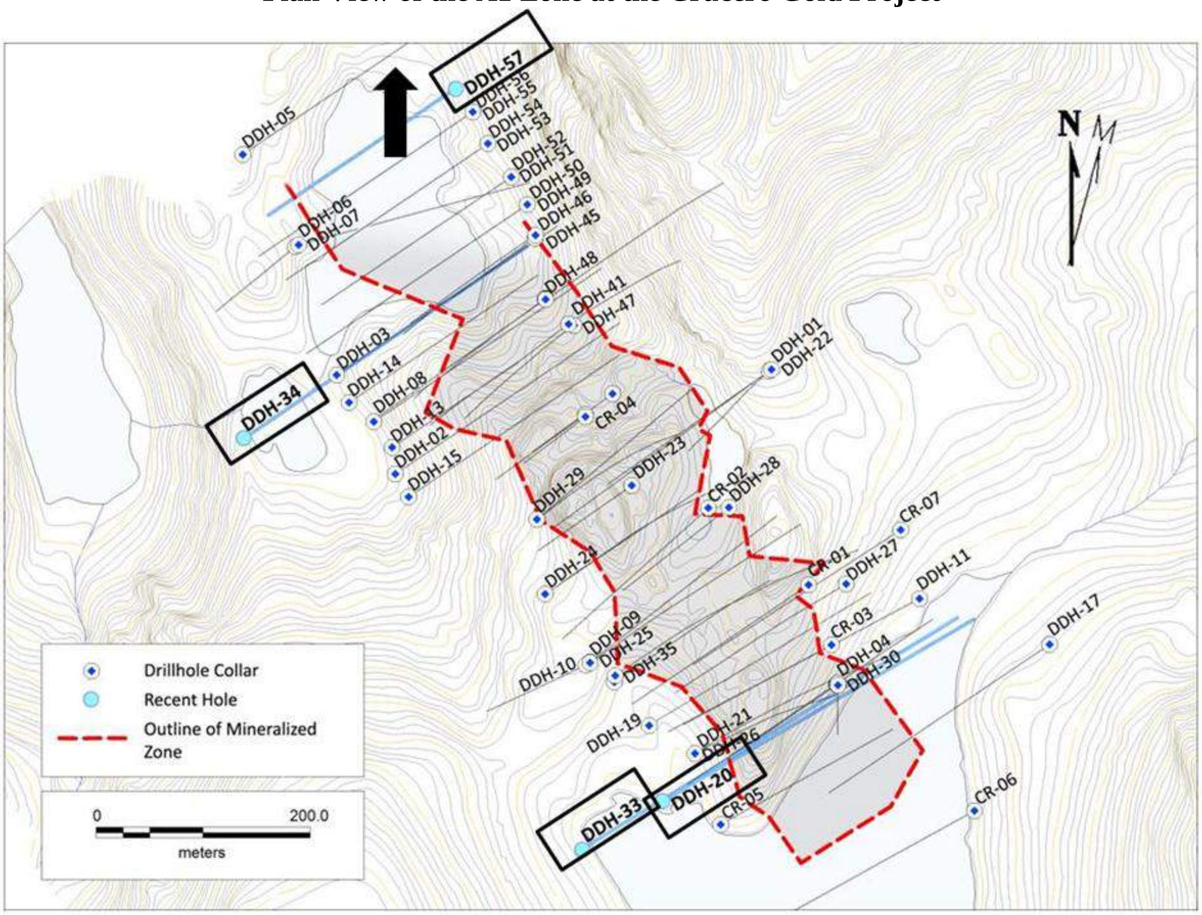
Detailed geology and exploration field work is continuing on the Chaska Zone (formerly referred to as the A-3, A-4 and A-5 Zones), to identify high priority drill targets in that area. To date, two drill holes, for a total of approximately 700 metres, have been completed in the Chaska Zone.

Despite a later than normal drilling program start, the Company expects to drill in excess of 8,000 metres at the Crucero Gold Project, comprised of approximately 6,700 metres for A-1 resource expansion and the balance for other project exploration, including the Chaska Zone.

A significant program of mapping, soil sampling, and geophysics will also continue across the property to expand the Company's knowledge of the Crucero Gold Project's geological structures.

The outline of the mineralized envelope at A-1 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:

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 metallurgical testing was begun earlier this year and based on internal Whittle pit results, the Company has 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 first quarter of 2013.

INVICTA GOLD PROJECT

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. The management of Andean American asked 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 current financial market conditions, the capital requirements to develop the Invicta Gold Project, the need to preserve Andean American's healthy cash balance and the opportunities for value-adding mergers and acquisitions which 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 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: property holdings 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 2006, 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 does not demonstrate, under the CIMM 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, Invicta and each of the three communities need to sign Surface Land Use Agreements.

To date, Invicta 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, Invicta 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 Invicta 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.

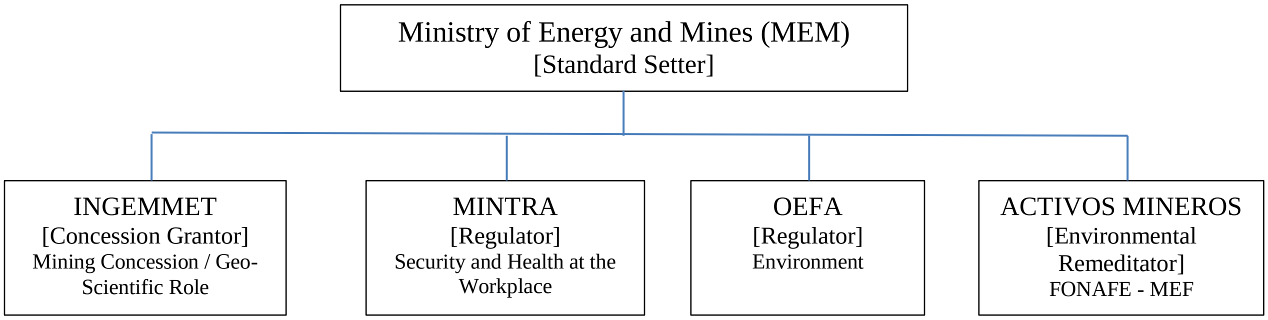
Following the completion of the Southern Legacy Minerals Inc. ("Southern Legacy")/ Sinchao Metals Corp. ("Sinchao") transaction on June 28, 2012, Andean American owns 9,841,270 shares or approximately 17% of Sinchao, which has been renamed Southern Legacy and trades on the TSX-V under the symbol 'LCY'.

The completion of the business combination with Southern Legacy allowed for the consolidation of the majority of Sinchao's deposit claims with those held by Southern Legacy. Both the Sinchao and Southern Legacy claims are located within the Yanacocha- Hualgayoc mining district in the department of Cajamarca, Northern Peru. Southern Legacy is currently focused on expanding the resource at its flagship copper and gold project AntaKori (formerly known as Sinchao), located 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 are a number of mining sector authorities, as further 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.

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. 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 is the Company's primary community relations office from which various community relations, education, local infrastructure improvement project, and medical/dental/veterinarian programs are coordinated.

Environmental compliance

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

The Crucero Gold Project is not presently subject to any significant monetary environmental liabilities although there are environmental responsibilities as prescribed in the environmental permit, such as remediation of drilling platform locations. To date for 2012, platform remediation costs total approximately $124,000.

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)**
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.

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.

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

	Concession Name	ID Code	Area
1	Invicta I	010312905	1,000
2	Invicta II	010313005	1,000
3	Invicta III	010313105	1,000
4	Invicta IV	010313205	1,000
5	Invicta V	010313305	900
6	Invicta VI	010306609	600
7	Invicta VII	010313705	300
8	Invicta VIII	010336305	800
9	Invicta IX	010336405	800
10	Invicta X	010336505	900
11	Invicta XI	010336605	1000
12	Invicta XII	010336705	600
13	Invicta XV	010169606	1000
14	Invicta XVI	010169706	300
15	Invicta XVII	010596907	1000
16	Invicta XVIII	010597007	1000
17	Invicta XIX	010598907	1000
18	Invicta XX	010599907	1000
19	Invicta XXI	010601907	500
20	Invicta XXII	010602007	800
21	Invicta XXIII	010622307	1000
22	Invicta XXV	010622507	1000
23	Invicta XXVI	010103709	900
24	Invicta XXX	010103809	800
25	Invicta XXI	010103909	500
26	Invicta XXXII	010104009	1000
27	Invicta XXXIII	010104109	1000
28	Invicta XXXIV	010104209	800
29	Invicta XXXV	010104309	1000
30	Invicta XXXVI	010109010	617
31	Invicta XXXVII	010208910	800
32	Invicta XXXVIII	010476110	1000
33	Invicta XXXIX	010476210	900
34	Invicta XL	010573411	1000
35	Invicta XLII	010573511	800
36	Invicta XLIII	010573611	600
37	Invicta XLIV	010573711	400
38	Invicta XLV	010573811	800
39	Victoria Uno	010334195	1000
40	Victoria Dos	010336295	400
41	Victoria Tres	010335795	900
42	Victoria Cuatro	010197196	400
43	Victoria Siete	010231196	1000

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 continuity listing of the Company's exploration expenditures for the Crucero Project to September 30, 2012:

	Nine months ended September 30, 2012 $	Total from inception to September 30, 2012 $
Drilling	669,265	2,128,068
Camp and related costs	1,008,537	1,906,975
Project administration	954,793	1,705,596
Assays	96,436	388,086
Transportation	140,385	371,481
Technical reports	170,701	357,254
Consulting and other	118,186	223,720
Reclamation	123,468	167,716
	3,281,771	7,248,896

The carrying value of Crucero as at September 30, 2012 is $16,337,482 ($16,504,191 – December 31, 2011). The change in carrying value of $166,709 for the nine months ended September 30, 2012 is due to changes in foreign currency translation rates between the Canadian dollar and Peruvian soles from December 31, 2011 to September 30, 2012.

Selected Quarterly Information

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	**Sep-12**	**Jun-12**	**Mar-12**	**Dec-11**	**Sep-11**	**Jun-11**	**Mar-11**	**Dec-10**
Total revenues	$0	$0	$0	$0	$0	$0	$0	$0
Exploration expenses	$1,624	$989	$669	$1,263	$712	$556	$423	$645
General and administrative expenses	$388	$558	$764	$641	$337	$541	$636	$404
Accretion expense	$0	$0	$22	$109	$123	$213	$213	$235
Interest (income)	$(4)	$(8)	$(12)	$(40)	$(43)	$0	$0	$0
Foreign exchange loss (gain)	$7	$(2)	$23	$(31)	$36	$(30)	$(124)	$(138)
Loss	$2,015	$1,537	$1,466	$1,942	$1,165	$1,280	$1,148	$1,146
Basic and diluted loss per share	$0.05	$0.03	$0.03	$0.04	$0.02	$0.04	$0.04	$0.04

The Company adopted International Financial Reporting Standards (IFRS) on January 1, 2010. The figures are presented in Canadian Dollars, which is Lupaka Gold's functional currency. The functional currency of MP is Peruvian New Soles.

As the Company has not produced or sold any minerals 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.

Financial Results

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 third quarter and nine-month period of 2012 to the third quarter and nine-month period of 2011 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	$	$	$	$
Operating expenses				
Exploration	1,624,240	711,652	3,281,771	1,690,488
General and administration	387,910	337,603	1,709,441	1,514,590
Operating loss	2,012,150	1,049,255	4,991,212	3,205,078
Finance expense – accretion	–	122,856	22,381	549,229
Finance income – interest	(4,204)	(43,564)	(23,685)	(43,564)
Foreign exchange loss (gain)	7,059	36,240	28,458	(118,017)
Loss for the period	2,015,005	1,164,787	5,018,366	3,592,726
Loss per share - Basic and diluted	$0.05	$0.02	$0.12	$0.10

The losses for the three and nine months ended September 30, 2012 were larger than for the comparative periods in 2011, reflecting the Company's increase in operations for 2012, as well as due diligence costs related to the acquisition of Andean American.

The largest components of the third quarter's exploration expenses were $552,554 ($241,084 – three months ended September 30, 2011) for drilling, $445,858 ($145,709 – three months ended September 30, 2011) for camp and related costs, and $293,377 ($158,514 – three months ended September 30, 2011) for project administration.

The largest components of the exploration expenses for the nine months ended September 30, 2012 were $1,008,537 ($360,102 – nine months ended September 30, 2011) for camp and related costs, $954,793 ($386,008 – nine months ended September 30, 2011) for project administration, and $669,265 ($606,963 – nine months ended September 30, 2011) for drilling.

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 the first nine months of 2012 in accordance with the Company's 2012 development and exploration plans.

In 2012, there was no drilling activity until late May (compared to 2011, when drilling was able to start in late March), as a result of the conditions produced by an extended and unusually severe rainy season at the Crucero Gold Project.

General and administrative expenses, which all relate to the Canadian operations of Lupaka Gold, totalled $387,910 for the three months ended September 30, 2012 ($337,603 – three months ended September 30, 2011) and included:

- salaries and benefits of $185,506 ($149,187 – three months ended September 30, 2011), the increase due to higher non-cash share-based compensation expenses; and
- shareholder and investor relations expenses of $109,211 ($96,232 – three months ended September 30, 2011), the increase reflecting a greater level of investor relations activity since Lupaka Gold went public in June 2011.

General and administrative expenses totalled $1,709,441 for the nine months ended September 30, 2012 ($1,514,590 – nine months ended September 30, 2011) and included:

- salaries and benefits of $793,126 ($789,821 – nine months ended September 30, 2011);
- shareholder and investor relations expenses of $458,210 ($301,586 – nine months ended September 30, 2011), the increase reflecting greater investor relations activity since Lupaka Gold went public in June 2011;
- professional and regulatory fees of $198,141 ($234,331 – nine months ended September 30, 2012), the decrease reflecting legal costs for the January 2012 Buy-Out of MP Vendors being lower in comparison to the legal costs incurred in advance of and in connection with the Company's IPO.

Also included in exploration and general and administration expenses for the three and nine month periods ended September 30, 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 September 30		Nine months ended September 30	
	2012	2011	2012	2011
	$	$	$	$
Salaries and benefits	56,026	–	253,176	397,197
Project administration	53,193	–	223,122	89,575
Shareholder and investor relations	18,971	–	85,728	81,367
Consulting and professional fees	2,347	–	10,605	–
Professional and regulatory fees	–	–	–	20,342
Total share-based compensation	130,537	–	572,631	588,481

Until the Company completed its buyout of the non-controlling interest of MP on January 19, 2012, the Company accrued $22,381 ($426,373 – nine months ended September 30, 2011) in accretion expense on the amounts due to the MP Vendors (see Note 6 to the Interim Financial Statements). In the three months ended September 30, 2012, there was a foreign exchange loss of $7,059 and during the nine months ended September 30, 2012 there was a foreign exchange loss of $28,458 due to a difference in exchange rates between December 31, 2011 and January 18, 2012, the date Lupaka completed its early payment of the final $3,056,700 (US $3,000,000) that was otherwise required to be paid by July 15, 2012 in order to complete Lupaka's acquisition of its existing 60% interest in MP. In the three months ended September 30, 2011, there was a foreign exchange loss of $36,240 (gain of $118,017 – nine months ended September 30, 2011) due mainly to the difference in foreign exchange rates relative to the US Dollar-denominated liability to the MP Vendors from the beginning to the end of the three and nine-month periods ended September 30, 2011.

The Company's deficit was $14,961,573 as at September 30, 2012 (December 31, 2011 - $6,202,525), with $4,990,294 reflecting the loss incurred for the nine months ended September 30, 2012 attributable to the shareholders of the Company and $3,768,754 relating to the Company's purchase of the non-controlling interest.

For the balance of 2012:

- exploration expenses at the Crucero Gold Project are expected to increase by approximately $100,000 for the next quarter, the majority of which will be attributable to regional geology technical studies. General and administrative expenses are expected to remain consistent with those of the three months ended September 30, 2012, net of the share-based compensation expenses recorded in this quarter, and
- operating and community relations expenses at the Invicta Gold Project for the next quarter will be approximately $650,000, comprised principally of costs associated with ongoing site maintenance and safety, fulfilling community agreement obligations, an amendment of the Environmental Impact Assessment and an extension of the Closure Plan.

Liquidity and Capital Resources

In thousands of Canadian Dollars	September 30, 2012 $	June 30, 2012 $	March 31, 2012 $
Cash and cash equivalents	1,861	3,628	5,015
Working capital (defined as current assets less current liabilities)	1,249	3,451	4,787
Total assets	19,058	21,071	21,837
Current liabilities	831	358	
Long-term debt	–	–	–
Shareholders' equity	18,227	20,713	21,480

Cash used in operating activities during the nine months ended September 30, 2012 was $4,023,313 (nine months ended September 30, 2011 – $2,355,974).

Net cash used for investing activities in the nine months ended September 30, 2012 totalled $3,529,607 (nine months ended September 30, 2012 – $143,698). As one of the conditions to close the acquisition of MP, the Company was required to complete the acquisition of its initial 60% interest in MP by paying $3,056,700 (US $3,000,000) on January 19, 2012 that was previously required to be paid by July 15, 2012. The Company purchased $209,323 of equipment during the nine months ended September 30, 2012 (nine months ended September 30, 2011 – $143,698). The Company also paid $263,584 in due diligence costs during the nine months ended September 30, 2012 (nine months ended September 30, 2011 – $Nil) pursuant to the acquisition of Andean American.

Net cash used in financing activities during the nine months ended September 30, 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 the nine months ended September 30, 2011, the Company received cash totaling $19,835,936 pursuant to the IPO and paid $2,885,700 related to its initial purchase 60% of MP.

The largest reason for the decrease in assets and in liabilities during the nine months ended September 30, 2012 was the buyout of the remaining 40% of MP from the non-controlling shareholders in January 2012.

Total current liabilities as at September 30, 2012 were $831,304, comprised mainly of accrued liabilities for drilling, reclamation, assays, and due diligence related to the acquisition of Andean. 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.

The Company's only material commitments as at September 30, 2012 are an office lease expiring April 2014, with commitments totalling approximately $84,000, accrued reclamation costs of approximately $141,000 and the K-Rok Contingent Shares (see "*Agreements with K-Rok*").

At present, the Company's operations do not generate cash flow 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 approximated $12.3 million as at November 8, 2012, which is sufficient to conduct the remainder of the Company's planned 2012 head office and Peru exploration activities, leaving a projected cash balance of approximately $11 million at December 31, 2012. The Company believes that these funds are sufficient to fund its planned corporate activities and exploration programs through 2014.

On an ongoing basis, the Company examines various financing alternatives to address future funding requirements, though there is no guarantee of the sufficiency or success of these initiatives.

As at September 30, 2012, the Company's aggregate common share capital was $29,889,421 (December 31, 2011 - $24,602,786) representing 44,762,451 issued and outstanding common shares without par value (December 31, 2011 - 39,462,451) and 7,466,667 share purchase warrants outstanding (December 31, 2011 - 7,466,667) with a fair value of $801,809.

Outstanding Share Data

As at November 8, 2012, the following securities were issued and outstanding:

- basic - 81,751,769 common shares
- fully-diluted - 94,947,936 common shares, after including:
  - 5,117,000 stock options, with exercise prices ranging from $0.50 to $4.08, of which 4,481,000 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, expects to exceed 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 will be 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 nine months ended September 30, 2012 and 2011 are as follows:

- The Company paid consulting fees of $75,625 plus HST during the nine months ended September 30, 2012 ($50,000 accrued – nine months ended September 30, 2011) to Gordann.
- The Company paid consulting fees of $90,000 plus HST during the nine months ended September 30, 2012 ($90,000 accrued – nine months ended September 30, 2011) to Havilah.
- The Company paid consulting fees of $5,625 during the nine months ended September 30, 2012 ($6,045 – nine months ended September 30, 2011) to a family member of Gordon Ellis.
- The Company accrued or paid drilling invoices of $Nil during the nine months ended September 30, 2012 ($554,282 – nine months ended September 30, 2011) to GeoDrill S.A.C. ("GeoDrill"), a company controlled by the MP Vendors. As at September 30, 2012, the amount payable to GeoDrill, which is no longer considered to be a related party, was $63,908 (US $65,000).
- The Company paid or accrued office staffing, administrative fees and reimbursed miscellaneous costs of $Nil plus applicable HST during the nine months ended September 30, 2012 ($15,514 – nine months ended September 30, 2011) to ABE.

As at September 30, 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 makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are related to the recoverability of the carrying value of mineral properties.

The recoverability of the carrying value of mineral properties

Mineral exploration and evaluation expenditures are expensed as incurred on mineral properties not sufficiently advanced as to identify their development potential. Significant acquisition costs for property rights, including payments for exploration rights and leases and estimated fair value of exploration properties acquired as part of an acquisition are capitalized and classified as intangible assets. Once a mineral property is considered to be sufficiently advanced and development potential is identified, all further expenditures for the current period and subsequent periods are capitalized as incurred. These costs will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

Capitalized costs, on properties not sufficiently advanced, are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. If the carrying amount exceeds its recoverable amount, an impairment loss is recognized.

The acquisition of title to mineral properties is a complicated and uncertain process. The Company has taken steps, in accordance with industry standards, to verify the title to mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured. See "Risk Factors" in the Company's AIF.

The amounts shown for mineral properties represent acquisition costs incurred to date and do not necessarily reflect present or future values.

The future non-cash consideration to K-Rok

Part of the consideration payable to K-Rok is comprised of the K-Rok Contingent Shares, which will not be confirmed until certain events occur – see "*Agreements with K-Rok*". Management has calculated the fair value of this future non-cash consideration for property acquired using a weighted average probability analysis of the reported ounces in future updated resource estimates under IFRS 2 Share-Based Payments. The fair value of $598,045 has been included as a cost of acquisition, but may not be reflective of the actual value of the shares at the time of issue.

The valuation of share-based compensation

The Company has a share-based compensation plan, under which the Company receives services from employees and non-employees as consideration for equity instruments (share options) of the Company. The fair value of share options granted to employees is measured on the grant date. Share options granted to non-employees are measured on the date that the goods or services are received.

The Company uses the Black-Scholes option pricing model to estimate the fair value of each share option.

The Black-Scholes option pricing model requires the Company to estimate the expected term of the options granted, the volatility of the Company's common shares and an expected dividend yield. The Company estimates the expected term of the options granted by calculating the average term after considering the Company's historical experience involving share option exercise; forfeitures and expiries; volatility is estimated with reference to historical volatility data; and the Company does not currently anticipate paying any cash dividends in the foreseeable future and therefore has used an expected dividend yield of zero as detailed in note 8(c) of the financial statements. The Black-Scholes model also requires the Company to input a risk-free interest rate and the Company uses the Bank of Canada's marketable bond rates. As the Company currently has no historical volatility data, an average of volatility rates for companies at a similar stage of development to the Company was used for the period ended September 30, 2012.

The fair value of the employee and non-employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted and the vesting periods. Non-market vesting conditions are included in the estimate of the number of options expected to vest. At each reporting date, the Company revises the estimates of the number of options expected to vest. Any change from estimate is recognized with a corresponding adjustment to equity. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

Upon the exercise of share options, the Company issues common shares from treasury and the cash subscribed for the shares issued when the options are exercised and the fair value of the options exercised previously recorded to options is credited to share capital, net of any directly attributable transaction costs. The grant-date fair value of vested share options that are forfeited is reclassified from share options to contributed surplus.

The assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business

The Company is in the business of acquiring and exploring resource properties. All of the Company's resource properties are held within a controlled entity and are located in Peru. The Company has no source of revenue, and in the long term does not yet have the cash required to develop its mineral properties to the mine-stage. Additionally, the Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts recorded for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary capital to finance the operations and upon future profitable production or proceeds from the disposition of its properties.

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 profit and loss.

Financial assets and liabilities

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, and amounts due to non-controlling shareholders (or MP Vendors) 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 at "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 net earnings or 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 income or loss. Financial assets classified as "held-to-maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost. Unrealized currency translation gains and losses on available-for-sale securities are recognized in profit or loss for the year.

Cash, restricted cash, and short-term deposits are designated as "loans and receivables" and are measured at fair value. Trade and other receivables are designated as "loans and receivables". Trade and other payables, including amounts due to related parties, taxes payable 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-collectibility 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 income are reclassified to profit or 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 investment 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 profit or loss for the year are not reversed through profit or 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.

The Company is exposed in varying degrees to a number of risks arising from financial instruments. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Board approves and monitors the risk management process.

The types of risk exposure and the way in which such exposures are managed as follows:

a) Credit risk - is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its payment obligations. The Company's exposure to credit risk consists of cash and cash equivalents. The risk exposure is limited to the carrying amount at the date of the financial position statement.

   Cash and cash equivalents are invested in two major financial institutions. The risk is mitigated because the financial institutions are major Canadian chartered banks with high credit ratings.

b) Liquidity risk – is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by actively forecasting, planning, reviewing and monitoring expenditures and commitments and anticipated financial requirements.

   At the present rate of spending and in the absence of the Company obtaining new financing, cash and cash equivalents on hand at September 30, 2012 are considered to be sufficient to fund the Company's ongoing operational needs for the next seven months. By reducing or eliminating certain discretionary expenditures, management believes that this period can be extended to 12 months or more.

c) Market risk - is the risk that changes in market prices, such as gold and precious mineral prices, foreign exchange rates and interest rates will affect the Company's income. The object of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.
   1. Commodity price risk – this is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant. Price risk cannot be estimated at this stage of the Company's development. The Company does not have any hedging or other commodity-based risks respecting its operations.

   2. Currency risk - the Company's exploration expenditures are predominantly in US Dollars and any future equity raised is expected to be predominantly in Canadian Dollars. The Company conducts the majority of its business in Peru, which uses the US Dollar as one of its primary economic currencies. Future project exploration and development expenditures are expected to be paid in US Dollars. A significant change in the relative currency exchange rates between the Canadian Dollar and the US Dollar would have an effect on the Company's statements of financial position, loss and cash flows. As such, the Company is subject to risk due to fluctuations in the exchange rates for the US and Canadian Dollar. The Company has not hedged its exposure to currency fluctuations. At September 30, 2012, the Company' cash and cash equivalents was evenly split between Canadian and US Dollars [actually 54% USD].

   3. Interest rate risk - the Company is not exposed to significant interest rate risk since its financial instruments can be quickly converted into cash, thus avoiding additional risks.

Disclosure Controls and Internal Controls Over Financial Reporting

Management of the Company is responsible for the design and implementation of disclosure controls and procedures ("DC&P") 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 DC&P are designed to provide reasonable assurance that all relevant information is communicated to senior management to allow timely decisions regarding the required disclosure.

While management believes that the Company's DC&P provide a reasonable level of assurance that they are effective, they do not expect that the Company's DC&P or ICFR 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 ICFR for the Company. 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.

Changes in ICFR

During the quarter ended September 30, 2012, there were no changes in the Company's ICFR that materially affected, or were reasonably likely to materially affect, the Company's ICFR.

Risk Factors – the Company's Risk Factors are set out in its AIF, which is available at www.sedar.com.

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