MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the unaudited consolidated interim financial statements of Lupaka Gold Corp. ("Lupaka Gold") and the notes thereto for the three months ended March 31, 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 months ended March 31, 2012 and the Company's financial condition as at March 31, 2012, as compared with the preceding year.

The effective date of this MD&A is May 10, 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 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.

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 interests in mineral properties; the timing of completion and success of exploration activities and programs on the Crucero Gold Project; the timing for completion of payments to be made pursuant to the MP Purchase Agreement; the timing of issuing common shares to K-Rok Minerals Inc. ("K-Rok") pursuant to the Assignment and Assumption Agreement; requirements for additional capital; and the estimation of mineral resources. 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 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 will be consistent with the Company's expectations, that the Company's current exploration and other objectives concerning the Crucero Gold Project can be achieved and that its exploration and other activities will proceed as expected, 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 MP will not experience any material accident, labour dispute or failure or shortage of equipment, and that all necessary 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. Other assumptions are discussed throughout this MD&A and, in particular, in the "Risk Factors" section in 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; operations and contractual obligations; changes in exploration programs based upon results of exploration; changes in estimated mineral reserves or 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, environmental risks; risks related to community relations and activities of stakeholders; and delays in obtaining governmental approvals or financing; as well as those factors discussed 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. The Company, to the extent required by applicable securities law, will release publicly any revisions to Forward-Looking Information contained in this MD&A to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Cautionary Note to US Investors

All references to mineral reserves and mineral resources contained in this MD&A are determined in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"), as required by Canadian securities regulations. While the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are recognized and required by NI 43-101, they are not defined or recognized by the US Securities and Exchange Commission (the "SEC"). As such, information contained in this MD&A concerning descriptions of mineralization and resources, as determined in accordance with NI 43-101, may not be comparable to similar information made public in accordance with the requirements of the SEC. "Indicated mineral resources" and "inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of mineral resources constitutes, or will ever be converted into reserves.

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 is a public company, whose 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:

- Completed the first quarter of the 2012 fiscal year with approximately $5.0 million in cash and cash equivalents and a net working capital position of $4.8 million;

- Using the results of the 2011 Drill Program (see "Mineral Project" below), released an independent March 2, 2012 effective NI 43-101 update of the Company's resources at the Crucero Gold Project on March 5, 2012, which 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;

- 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;

- On June 28, 2011, Lupaka Gold closed its initial public offering ("IPO") of 13,333,334 units of the Company at a price of C$1.50 per Unit for aggregate gross proceeds of C$20,000,001. Each Unit consisted of one common share of Lupaka Gold and one-half of one common share purchase warrant exercisable to purchase an additional common share of Lupaka Gold until June 28, 2014 at a price of C$2.25 per share;

- Released assay results for its 2011 drill program conducted at the Crucero Gold Project, with the first results released in July 2011 and continuing on into February 2012 (see www.lupakagold.com News/2011 and 2012 News Releases) for significant intercepts as well as additional results;

- On July 12, 2011, announced that it had increased its property position at the Crucero Gold Project in Peru. MP staked and was granted a 100% interest in one additional claim of 900 hectares, which is in the petition process (see "Mineral Project"). This brings the total area of the Crucero Gold Project to 5,500 hectares; and

- Implemented a number of community relations initiatives supported by three full-time staff with a full-time presence in communities near the Crucero Gold Project. In addition to local employment, the Company's programs have included support for local schools, veterinary services, ranching education, providing building materials, making infrastructure improvements, and supporting other sustainable business development initiatives.

The Company's primary objective is to continue mineral development and exploration activities on the Crucero Gold Project and to acquire other mineral resource properties in Peru that are assessed to be of merit.

Outlook
The Company will continue to focus its efforts on continuing exploration at the Crucero Gold Project. At the same time, the Company will also continue to direct additional resources to community relations, environmental assessment, logistics and building its exploration team in Peru.

For the balance of 2012, the Company plans to:

- ❖ Drill an additional 8,000 metres, beginning in May, which will cover a combination of the A-1 Zone resource expansion and exploration of other zones within the Crucero Gold Project – see *"Mineral Projects - 2012 Drill and Technical Programs"*;
- ❖ Commence evaluating other gold properties throughout Peru to leverage the Company's skills and experience towards diversifying and expanding its exploration pipeline; and

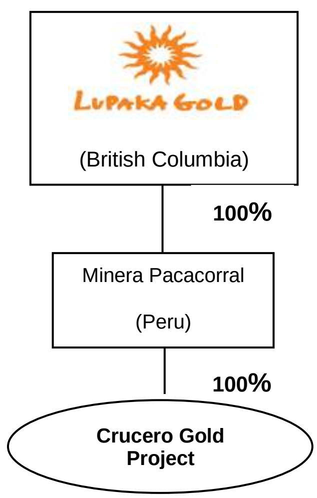
Corporate Structure

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.

The following chart depicts the Company's corporate structure together with the jurisdiction of incorporation of the Company and its wholly-owned subsidiary.



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).

As at May 10, 2012, Lupaka Gold had a market capitalization of approximately $45 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 as necessary, to provide geological, metallurgical and corporate consulting services.

Through 2011 and to March 31, 2012, the number of employees of the Company was as follows:

	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012
Vancouver, Canada	8	8	8	8
Peru				
Administration	4	4	6	7
Exploration & Technical	18	23	26	31
Total	30	35	40	46

On February 14, 2012, Lupaka Gold announced the appointment of Victor A. Jaramillo M.Sc. (A), P.Geo., as its Vice-President of Exploration. Due to personal reasons, Mr. Jaramillo subsequently resigned on March 31, 2012. As a result, the Company expects to utilize alternative geological and technical consultants, which may include Mr. Jaramillo, on an as-required basis to support advancement of the Crucero Gold Project.

The Company plans to add further to its employee base in the coming months, particularly in the community relations and technical areas. Additionally, the number of 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 due to weather conditions at the project site.

Business of the Company

The Company is a gold mineral exploration company. Its principal activities consist of evaluating, acquiring, exploring and developing gold mining properties in Peru. In July 2010, the Company acquired 60% of the shares of MP, a Peruvian company that holds the following interests in the nine claims that comprise the Crucero Gold Project: a 100% ownership interest in three mining concessions, a 30 year assignment (commencing September 2008) of a 100% interest in three additional mining concessions, subject to certain private royalty obligations, and a 100% ownership interest in three 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 is now 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)

<u>2011</u>
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.

<u>2012</u>
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 are subject to a regulatory hold period until May 20, 2012.

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 three mining concessions known as Crucero 1, Pacacorral 1 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 three mining petitions, known as Pacacorral 2, Pacacorral 3 and Pacacorral 4, 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 the 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.

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. 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 (which payment was made);

(b) US $2,000,000 on October 15, 2010 (which payment was made);

(c) US $3,000,000 on July 15, 2011 (which payment was made); and

(d) US $3,000,000 on July 15, 2012 (which payment was made on January 19, 2012 - 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, <u>times</u> a scale ranging from 1 – 3%, dependent upon the number of ounces, <u>times</u> 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 Crucero. 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.

Mineral Project

Presently, the Company's only mineral property is the Crucero Gold Project in Peru, within which eleven zones or “anomalies” have been identified to date as having the potential for a gold resource.

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 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	612,471	0.69	**646,716**

* - Assay values capped at 17 g/t

Metallurgical testing completed in 2003 on a composite from two 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 is currently in progress and is expected to be completed by the third quarter of 2012.

<u>2010 Drill Program</u>
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”).

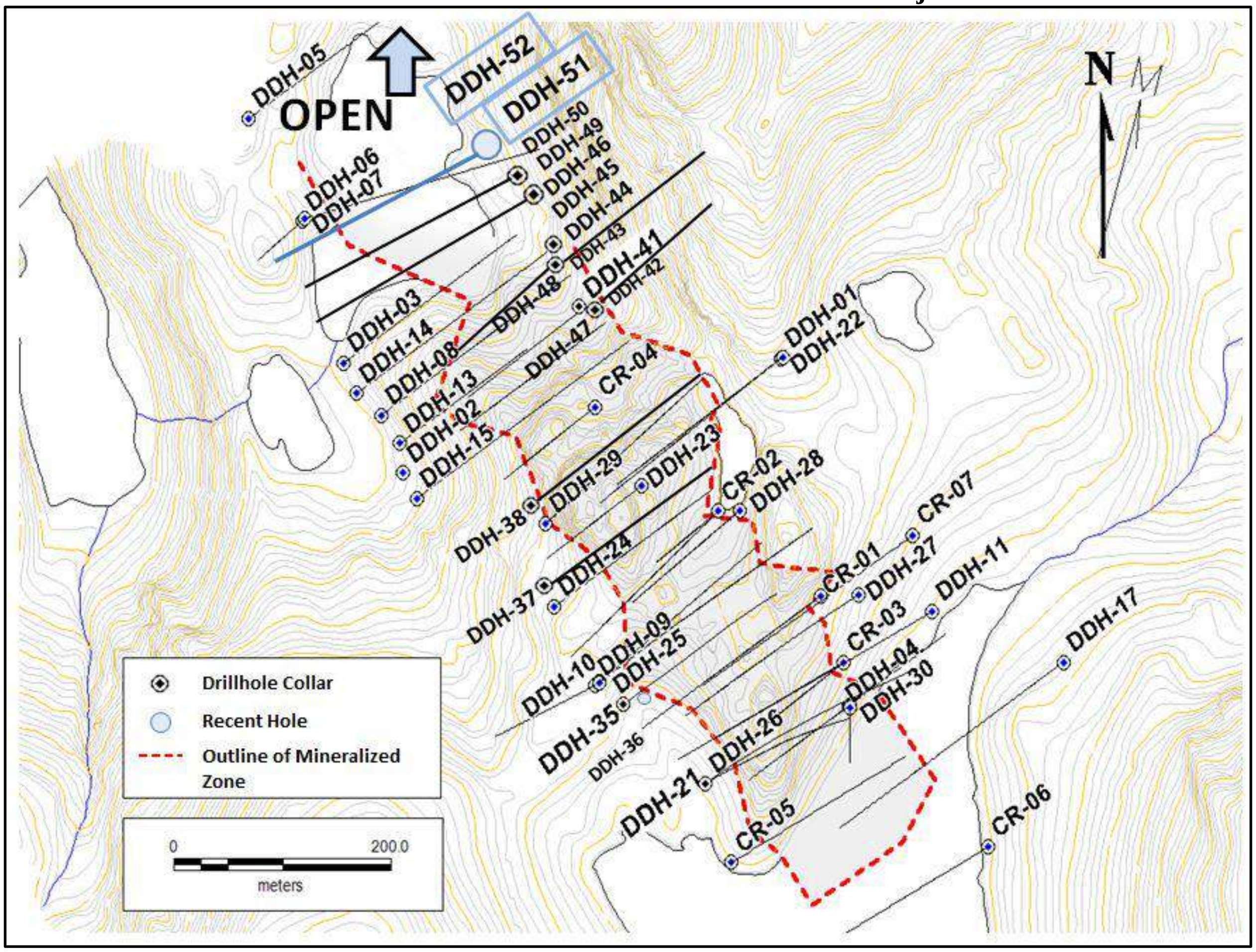
For 2010, the Company spent approximately $1 million on exploration and related technical and community relations costs for the Crucero Gold Project.

<u>2011 Drill Program</u>
The Company stopped drilling for the 2011 season as planned in December 2011, completing a total of twenty-three 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 show that the Company has not yet defined the northern limit of the A-1 Zone, and that the A-1 Zone mineralized envelope remains open and continues 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.

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



2012 Drill 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 $580,000 was spent in the three months ended March 31, 2012.

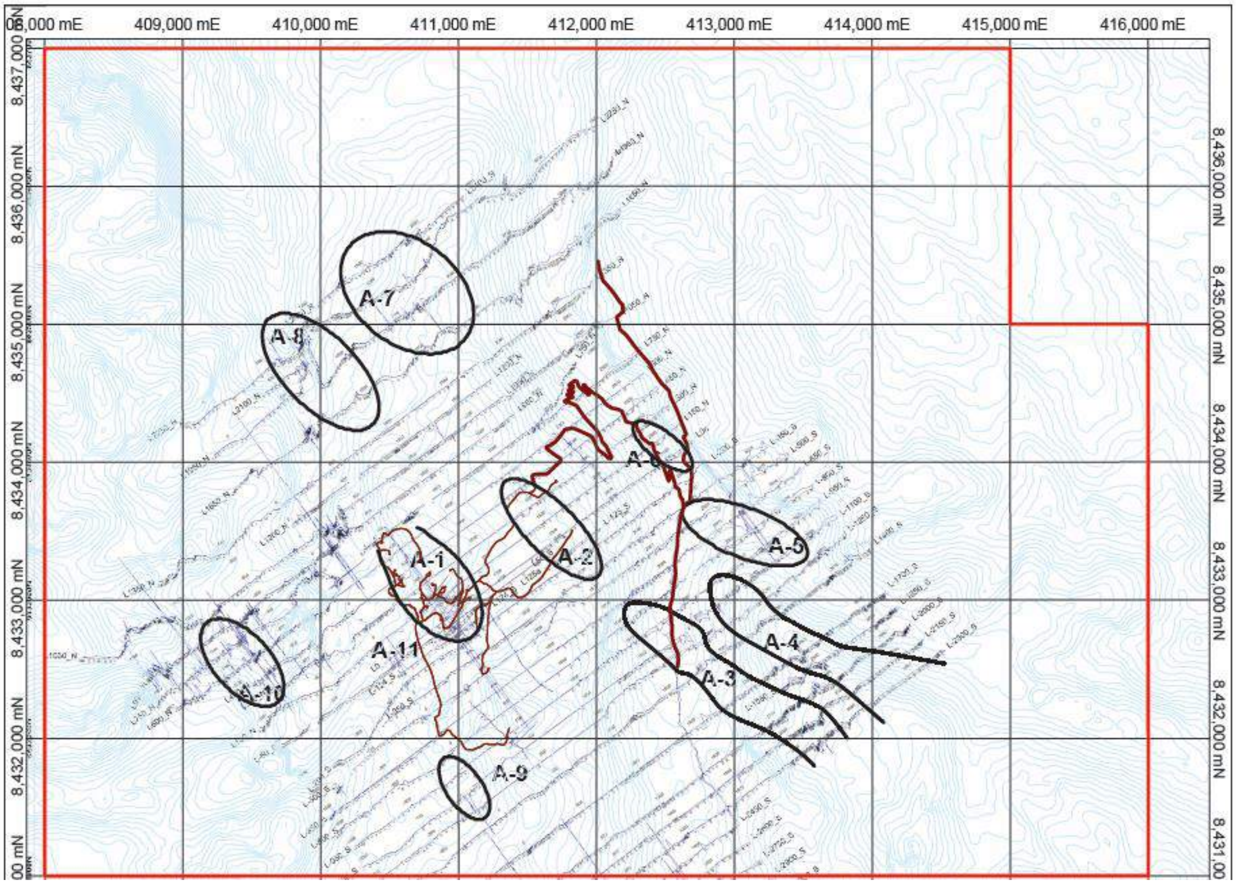
2012 Drill and Technical Programs

Drilling for the 2012 season is expected to commence before mid-May 2012, the same timing as last year (2011) but approximately 45 days later than normal as a result of the longer than normal rainy season experienced this year. Prior to then, the Company focused on finalizing the updated NI 43-101 resource update, completing core logging, geologic interpretations and permit applications, and otherwise preparing for the 2012 drilling season.

Due to a later than normal drilling program start, the Company is targeting 8,000 metres of drilling for calendar 2012, with 4,000 metres of that total planned for further A-1 resource expansion and 4,000 metres planned for other known anomalies within the Company's 5,500 hectare property area, such as A-3/A-4/A-5. These drilling allocations will be dependent upon the drilling results obtained for these zones.

The Company received conditional approval for the exploration permit on the A-3/A-4/A-5 area, which lies approximately 2 kilometres to the east of the A-1 Zone, and plans to commence exploration drilling on the exploration anomalies by mid-year 2012. A significant program of mapping, soil sampling, and geophysics will continue across the property to expand the Company's knowledge of the Crucero Gold Project's geological structures.

A schematic of the relative locations of these zones is shown immediately below:



Strategies and key drivers

Government authorities

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

Ministry of Energy and Mines (MEM)
[Standard Setter]

- INGEMMET
  [Concession Grantor]
  Mining Concession / Geo-Scientific Role
- MINTRA
  [Regulator]
  Security and Health at the Workplace
- OEFA
  [Regulator]
  Environment
- ACTIVOS MINEROS
  [Environmental Remeditator]
  FONAFE - MEF

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.

Most recently, 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.

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.

In general, the proceeding for the issuance of mining concession title takes no less than 4 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 certain 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 certain 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, certain 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.

As of May 2011, changes in the Peruvian legal framework require consultation with indigenous or native peoples prior to the grant or issuance of certain 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 (6) mining concession titles comprising the Crucero Gold Project, as they were applied for and granted prior to the effective date of these legal provisions. Subject to the terms of more detailed regulations (expected during the first quarter of 2012), the consultation process would only apply to the Pacacorral 2, Pacacorral 3 and Pacacorral 4 mineral pediments still in the petition stage of the concession-granting process.

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.

A listing of the Company's concessions and their legal status and term is as follows:

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

(1)Assumes sufficient justifications could be presented to maximize the deadline date.
(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.

Following is a continuity listing of the Company's exploration expenditures, to March 31, 2012:

Crucero exploration expenditures

	Three months ended March 31, 2012 $	Total from inception to December 31, 2011 $
Project administration	321,298	750,803
Camp and related costs	199,668	830,961
Consulting and other	50,278	105,534
Transportation	44,523	231,096
Technical reports	22,500	186,553
Assays	9,846	291,650
Safety	7,502	–
Drilling	6,801	1,458,803
Community relations	6,536	67,477
Reclamation	–	44,248
	668,952	3,967,125

The carrying value of the Crucero Gold Project as at March 31, 2012 is $16,363,804 ($16,504,191 – December 31, 2011). The change in carrying value of $140,387 for the three months ended March 31, 2012 is due to changes in foreign currency translation rates between the Canadian Dollar and the Peruvian Nuevo Sol from December 31, 2011 to March 31, 2012.

Selected Interim Information

Financial Data for Last Eight Quarters (Unaudited)								
In thousands of Canadian Dollars, except for per share amounts								
Three-month period ended	**Mar-12**	**Dec-11**	**Sep-11**	**Jun-11**	**Mar-11**	**Dec-10**	**Sep-10**	**Jun-10**
Total revenues	$0	$0	$0	$0	$0	$0	$0	$0
Exploration expenses	$669	$1,263	$712	$556	$423	$645	$193	$176
General and administrative expenses	$764	$641	$337	$541	$636	$404	$110	$8
Accretion expense	$22	$109	$123	$213	$213	$235	$264	$0
Interest (income)	$(12)	$(40)	$(43)	$0	$0	$0	$0	$0
Foreign exchange loss (gain)	$23	$(31)	$36	$(30)	$(124)	$(138)	($8)	$0
Loss	$1,466	$1,942	$1,165	$1,280	$1,148	$1,146	$559	$184
Basic and diluted loss per share	$0.03	$0.04	$0.02	$0.04	$0.04	$0.04	$0.03	$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 had any revenue-producing mineral properties to date, no mining revenues are reflected in the above table.

Factors that have caused fluctuations in the Company's quarterly results include the timing of the company's exploration activities, share-based compensation, accretion expense on the Company's outstanding payment obligations to the MP Vendors, as well as foreign exchange gains or losses related to US Dollar-denominated monetary assets and liabilities when the Canadian Dollar exchange rate fluctuates.

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

Three months ended March 31, 2012

The Company operates in one segment, being mineral exploration and development. The Company's mineral property interests 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.

The Company's loss for the three months ended March 31, 2012 totalled $1,465,781 ($1,147,790 – three months ended March 31, 2011) or $0.03 per share ($0.04 per share – three months ended March 31, 2011). While the loss for the three months ended March 31, 2012 was larger, reflecting the Company's increase in operations for 2012 compared to 2011, loss per share was less than for the previous period in 2011 due to the larger number of shares outstanding after the June 28, 2011 IPO and the January 19, 2012 buyout of MP's non-controlling shareholders.

Operating loss for the three months ended March 31, 2012 totalled $1,432,452 ($1,058,431 – three months ended March 31, 2011), including $668,952 ($422,997 – three months ended March 31, 2011) in exploration expenses for the Crucero Gold Project to support the exploration programs and Lima office in Peru.

The largest components of the three months' exploration expenses were $321,298 ($239,141 – three months ended March 31, 2011) for project administration, including the Lima office expenses, $199,668 ($18,559 – three months ended March 31, 2011) for camp and related costs, $50,278 ($4,012 – three months ended March 31, 2011) for consulting and other and $44,523 ($31,357 – three months ended March 31, 2011) for transportation. For each of these referenced exploration expenses, the significant increases recorded in 2012 directly reflect a comparable increase in personnel and operational levels that were achieved in Peru in accordance with the Company's 2012 exploration plans. There was no drilling activity during the three months ended March 31, 2012, as the Company's drilling season typically runs from April/May to November of each year.

General and administrative expenses, which all relate to Lupaka Gold, totalled $763,500 for the three months ended March 31, 2012 ($635,434 – three months ended March 31, 2011) and included:

- salaries and benefits of $395,488 ($346,355 – three months ended March 31, 2011), the increase reflecting performance bonuses paid to management and staff, offset by reduced non-cash share-based compensation expenses;
- shareholder and investor relations expenses of $175,401 ($112,519 – three months ended March 31, 2011), the increase reflecting a greater level of investor relations activity since Lupaka Gold went public in June 2011; and
- professional fees of $76,087 ($112,953 – three months ended March 31, 2012), the decrease reflecting reduced legal costs for the January 2012 Buy-Out of MP Vendors 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-month periods ended March 31, 2012 and 2011 was share-based compensation (a non-cash expense reflecting the estimated value of share option benefits to optionholders for the period), in the expense categories noted below:

	Three months ended March 31	
	2012	2011
	$	$
Salaries and benefits	116,139	234,433
Project administration	87,380	52,100
Shareholder and investor relations	39,326	46,468
Consulting and other	4,865	–
Professional fees	–	11,617
Total share-based compensation	247,710	344,618

Until the Company completed its buyout of the non-controlling interest of MP on January 19, 2012, the Company accrued $22,381 ($213,159 – three months ended March 31, 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 March 31, 2012, there was a foreign exchange loss of $22,773 ($123,800 foreign exchange gain – three months ended March 31, 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-month period ended March 31, 2012.

For the balance of 2012, exploration expenses are expected to increase by approximately $500,000 per quarter, all of which will be attributable to the 2012 drilling program. General and administrative expenses are expected to remain consistent with those of the three months ended March 31, 2012, net of the performance bonuses and share-based compensation expenses recorded in this quarter.

Liquidity

The Company's working capital (defined as current assets minus current liabilities) as at March 31, 2012 was $4,787,451 (December 31, 2011 – $10,405,802), including $5,014,968 million in cash and cash equivalents (December 31, 2011 – $13,477,024) and $95,463 (December 31, 2011 – $288,353) due to related parties – see "*Buyout of MP* Vendors" and "*Transactions with Related Parties*".

Cash used in operating activities during the three months ended March 31, 2012 was $1,259,732 (three months ended March 31, 2011 – $798,478).

Net cash used for investing activities in the three months ended March 31, 2012 totalled $7,214,855 (three months ended March 31, 2011 – $21,216). To close the acquisition of MP, the Company paid $3,056,700 (US $3,000,000) on January 19, 2012 (that was previously required to be paid by July 15, 2012) to complete the Company's acquisition of its initial 60% interest in MP and $4,075,600 (US $4 million) for the remaining 40% of MP that it did not already own. The Company purchased $82,555 of equipment during the three months ended March 31, 2012 (three months ended March 31, 2011 – $21,216).

Net cash generated from financing activities during the three months ended March 31, 2012 totalled $25,000, resulting from the exercise of stock options. In the three months ended March 31, 2011, the Company received cash totaling $1,852,500 pursuant to the issue of special warrants prior to the IPO.

Total assets as at March 31, 2012 were $21,836,819 (December 31, 2011 – $30,493,374), including $16,363,804 in mineral property costs as at March 31, 2012 (December 31, 2010 – $16,504,191). The largest reason for the change in assets during the three months ended March 31, 2012 was the buyout of the remaining 40% of MP from the non-controlling shareholders in January 2012.

Total current liabilities as at March 31, 2012 were $356,496 (December 31, 2011 - $3,316,964). In January 2012, a final US $3,000,000 instalment payment due to the MP Vendors by July 2012 pursuant to Lupaka's initial acquisition of 60% of MP (see "*Buy-out of MP Vendors*") was paid to the MP Vendors.

At present, the Company's operations do not generate 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 $4.3 million as at May 10, 2012, which is sufficient to conduct the Company's planned 2012 head office and Peru exploration activities, leaving a projected cash surplus of approximately $1 million at December 31, 2012. Should it be necessary, management has the ability to curtail discretionary expenditures in the head office and Peru operational areas in order to manage its cash resources.

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 it is not contemplated that the Company will pay any dividends in the immediate or 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 advance certain drilling services to 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 advanced 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 here, the Company was able to pay approximately $3.65 million less in cash than estimated in the Use of Proceeds.

General and Administrative Costs
The Company has accelerated the building of its corporate and Peru operations team 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 June 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 will be 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.

Capital Resources
As at March 31, 2012, the Company had $5.0 million in cash and cash equivalents.

The Company's only material commitments as at March 31, 2012 is an office lease expiring April 2014 with commitments totalling approximately $119,000, accrued reclamation costs of approximately $32,000 and the K-Rok Contingent Shares (see "*Agreements with K-Rok*").

As at March 31, 2012, the Company's aggregate common share capital was $29,846,103 (December 31, 2011 - $24,602,786) representing 44,712,451 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.

The Company's deficit was $11,408,988 as at March 31, 2012 (December 31, 2011 - $6,202,525), with $1,437,709 of the increase in deficit reflecting the loss incurred for the three months ended March 31, 2012 attributable to the shareholders of the Company and $3,768,754 relating to the Company's purchase of the non-controlling interest.

Transactions with Related Parties
Related party transactions for the Company for the three months ended March 31, 2012 and 2011 are as follows:

- The Company paid and accrued consulting fees of $45,625 plus HST during the three months ended March 31, 2012 ($20,000 accrued – three months ended March 31, 2011) to Gordann. As at March 31, 2012, the amount payable to Gordann was $30,625 plus HST.

- The Company paid consulting fees of $30,000 plus HST during the three months ended March 31, 2012 ($30,000 accrued – three months ended March 31, 2011) to Havilah. As at March 31, 2012, the amount payable to Havilah was $Nil.

- The Company paid consulting fees of $1,674 during the three months ended March 31, 2012 ($Nil – three months ended March 31, 2011) to a family member of Gordon Ellis. As at March 31, 2012, the amount payable to this related party was $Nil.

- The Company accrued or paid drilling invoices of $Nil during the three months ended March 31, 2012 ($100,002 – three months ended March 31, 2011) to GeoDrill S.A.C. ("GeoDrill"), a company controlled by the MP Vendors. As at March 31, 2012, the amount payable to GeoDrill was $64,838 (US $65,000).

- The Company paid or accrued office staffing, administrative fees and reimbursed miscellaneous costs of $Nil plus applicable HST during the three months ended March 31, 2012 ($15,514 – three months ended March 31, 2011) to ABE. As at March 31, 2012, the amount payable to ABE was $Nil.

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 the:

(a) recoverability of the carrying value of mineral properties
(b) future share-based contingent consideration to K-Rok

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 March 31, 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.

   Cash and cash equivalents on hand at March 31, 2012 are considered to be sufficient to fund the Company's ongoing operational needs for the next 12 months.

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 March 31, 2012, the Company' cash and cash equivalents was predominantly in Canadian Dollars.

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 March 31, 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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