

Lupaka Gold Corp.

Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2017 and 2016
(Presented in Canadian Dollars)

(Unaudited)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

Lupaka Gold Corp.

Consolidated Condensed Interim Statements of Financial Position (Unaudited)

As at June 30, 2017 and December 31, 2016

(Presented in Thousands of Canadian Dollars)

	June 30, 2017 \$	December 31, 2016 \$
Assets		
Current assets		
Cash and cash equivalents	52	112
Value added tax receivables	22	18
Prepaid expenses and deposits	51	38
	125	168
Non-current assets		
Equipment (Note 4)	185	206
Mineral properties (Note 5)	28,645	28,673
Total assets	28,955	29,048
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	1,234	1,476
Due to related parties (Note 7)	656	667
	1,890	2,143
Long-term liabilities		
Provisions for reclamation	297	285
Loans (Note 6)	1,139	659
Total liabilities	3,326	3,087
Equity		
Common shares (Note 8 (a))	58,697	58,419
Warrants (Note 8 (b))	1,813	1,366
Contributed surplus	4,137	4,012
Deficit	(41,100)	(39,951)
Accumulated other comprehensive income	2,082	2,115
Total equity	25,629	25,961
Total liabilities and equity	28,955	29,048
Nature of operations and going concern (Note 1)		
Commitments and contingencies (Notes 5 and 10)		
Subsequent events (Notes 5 and 8)		

Approved and authorized for issue by the Board on August 15, 2017.

signed "Gordon Ellis"

Director

signed "Stephen Silbernagel"

Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Lupaka Gold Corp.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (Unaudited) For the three and six months ended June 30, 2017 and 2016

(Presented in Thousands of Canadian Dollars, Except Share Data)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Operating expenses				
Exploration and development				
Camp, community relations and related costs	273	51	481	230
Project administration	145	349	251	474
	418	400	732	704
General and administration				
Salaries and benefits	78	50	157	109
Shareholder and investor relations	2	11	12	17
Professional and regulatory fees	18	81	38	96
Office and general	30	27	53	53
Travel	2	2	2	5
	128	171	262	280
Operating loss	546	571	994	984
Accretion expense	56	–	106	–
Interest expense	32	–	62	–
Foreign exchange gain	(4)	(10)	(13)	(17)
Loss for the period	630	561	1,149	967
Weighted average number of shares outstanding, basic and diluted	116,935,669	112,507,379	113,011,745	109,926,370
Loss per share, basic and diluted	\$0.01	\$0.01	\$0.01	\$0.01

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Consolidated statements of comprehensive loss				
Loss for the period	630	561	1,149	967
Currency translation adjustment on foreign operations	695	(344)	33	691
Comprehensive loss (gain)	1,325	217	1,182	1,658

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Lupaka Gold Corp.

Condensed Consolidated Interim Statements of Cash Flows (Unaudited) For the three and six months ended June 30, 2017 and 2016

(Presented in Thousands of Canadian Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Cash flows from (used in) operating activities				
Loss for the period	(630)	(561)	(1,149)	(967)
Adjustment for items not affecting cash:				
Depreciation (Note 4)	10	12	21	29
Accretion	56	–	106	–
Share-based compensation (Note 7)	56	21	126	53
Provisions for reclamation	(10)	10	12	–
Gain on sale of equipment	–	–	–	(17)
	(518)	(528)	(884)	(902)
Changes in non-cash working capital				
Trade and other receivables	(3)	(8)	(4)	(6)
Prepaid expenses and deposits	(17)	(18)	(13)	(1)
Trade payables and accrued liabilities	(307)	(112)	(197)	(135)
Due to related parties (Notes 6 and 7)	(9)	(7)	(11)	(38)
Net cash used in operating activities	(854)	(663)	(1,109)	(1,082)
Cash flows from (used in) investing activities				
Purchase of equipment	–	(3)	–	(3)
Proceeds on sale of equipment	–	–	–	20
Net cash from (used in) investing activities	–	(3)	–	17
Cash flows from financing activities				
Private placement proceeds, net (Note 9)	189	–	298	400
Proceeds from loans, net (Note 7)	611	724	706	725
Exercises of warrants	30	150	50	150
Net cash from financing activities	830	874	1,054	1,275
Net increase (decrease) in cash and cash equivalents	(24)	208	(56)	210
Cash and cash equivalents - beginning of period	49	88	112	52
Effect of foreign exchange rate changes on cash and cash equivalents	27	(3)	(4)	31
Cash and cash equivalents - end of period	52	293	52	293

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Lupaka Gold Corp.

Condensed Consolidated Interim Statements of Changes in Equity (Unaudited) For the three and six months ended June 30, 2017 and 2016

(Presented in Thousands of Canadian Dollars, Except Share Data)

	Six months ended June 30,			
	2017		2016	
	Number	\$	Number	\$
Common shares (Note 8 (a))				
Balance – beginning of period	115,474,680	58,419	103,563,251	57,791
Issued pursuant to a private placement	2,000,000	168	8,390,000	99
Shares issued for debt	300,000	45	–	–
Share purchase warrants exercised	500,000	65	1,072,261	176
Balance – end of period	118,274,680	58,697	113,025,512	58,066
Share purchase warrants (Note 8 (b))				
Balance – beginning of period		1,366		815
Issued pursuant to a private placement		129		301
Issued pursuant to loans (Note 6)		332		325
Share purchase warrants exercised		(14)		(27)
Balance – end of period		1,813		1,414
Contributed surplus (Note 8 (c))				
Balance – beginning of period		4,012		3,869
Share-based compensation		126		53
Balance – end of period		4,137		3,922
Deficit				
Balance – beginning of period		(39,951)		(37,730)
Loss for the period		(1,149)		(967)
Balance – end of period		(41,100)		(38,697)
Accumulated other comprehensive income				
Balance – beginning of period		2,115		2,490
Currency translation adjustment on foreign operations		33		(691)
Balance – end of period		2,082		1,799
Total equity		25,629		26,504

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Lupaka Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six months ended June 30, 2017 and 2016

(Presented in Canadian Dollars)

1 Nature of operations and going concern

Lupaka Gold Corp. (“Lupaka”) was incorporated in Canada on November 3, 2000 under the legislation of the Province of British Columbia, and is in the business of acquiring and exploring mineral resource properties. Lupaka was dormant prior to January 1, 2010.

All of Lupaka’s resource projects are located in Peru and are held by Lupaka’s 100%-owned subsidiaries.

Lupaka’s registered office is located at 700 – 595 Howe Street, Vancouver, BC, V6C 2T5 and its records office is located at 220 – 800 West Pender Street, Vancouver, BC, V6C 2V6. Lupaka’s common shares trade in Canada on the TSX Venture Exchange (“TSX.V”) and in Germany on the Frankfurt Exchange under the symbol LQP.

Collectively, Lupaka and its subsidiaries are referred to hereafter as “the Company”.

These condensed consolidated interim financial statements (“financial statements”) are prepared using International Financial Reporting Standards (“IFRS”) that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used, and such adjustments would be material. Several adverse conditions cast significant doubt upon the validity of the going concern assumption. As at June 30, 2017, the Company has a working capital deficit of \$1,765,000, an accumulated deficit of \$41,100,000, and negative cash flow from operating activities of \$1,109,000.

The Company’s ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or obtain alternative financing, which it has been successful in doing so in the past. However, there is no certainty that sufficient financing can be obtained in the future – see Note 5.

As the outcome of these matters cannot be predicted at this time, if the Company is unable to obtain additional financing, management may be required to further curtail certain expenses.

2 Basis of preparation

The principal accounting policies applied in the preparation of these unaudited condensed consolidated interim financial statements (“interim financial statements”) are set out below. These policies have been consistently followed, unless otherwise stated.

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(Presented in Canadian Dollars)

2.1 Statement of compliance

These unaudited condensed consolidated interim financial statements (“interim financial statements”) have been prepared in accordance with IAS 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”). As such, these interim financial statements do not include all of the information required by IFRS for annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2016.

These interim statements also follow the same accounting policies and methods of computation as compared to the most recent consolidated financial statements for the year ended December 31, 2016.

These condensed consolidated interim financial statements were approved by the Company’s Board of Directors on August 15, 2017.

2.2 Significant accounting judgments and key sources of estimate uncertainty

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

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

Significant accounting judgments

The following are the significant judgments, apart from those involving estimates, that management made in the process of applying the Company’s key accounting policies and that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements.

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

Determination of functional currency – the functional currency is the currency of the primary economic environment in which an entity operates. This involves evaluating factors such as the dominant currency that influences local competition and regulation, the currency that is used to pay local operating costs, and the currency used to generate financing cash inflows. The evaluation of these factors is reviewed on an ongoing basis.

Determination of cash-generating units – for the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows or outflows (cash-

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generating units). In management's judgment the Company has two cash-generating units ("CGUs") based on the evaluation of the smallest discrete group of assets that generate cash flows.

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

Recognition of deferred income tax assets - the decision to recognise a deferred tax asset is based on management's judgment of whether it is considered probable that future taxable profits will be available against which unused tax losses, tax credits or deductible temporary differences can be utilized.

No loss provision regarding possible additional tax assessments – the decision that no loss provision be made regarding the challenge to the deductibility of certain property write-offs and foreign exchange losses by SUNAT, the Peruvian tax authority, is based on the Company's opinion that the deductions are legitimate and can be successfully defended in the appeals process available under Peruvian law. See Note 10.

Key sources of estimate uncertainty

The following is information about the significant areas of estimation uncertainty in applying accounting policies that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

2.3 Basis of consolidation

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of loss and comprehensive loss from the effective date of acquisition up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the results of subsidiaries to bring their accounting policies into line with those used by the Company. Inter-company transactions, balances, loss, comprehensive loss and expenses are eliminated on consolidation, where appropriate.

The condensed consolidated interim financial statements include the accounts of Lupaka and its subsidiaries, all of which are 100% owned:

- Andean American Gold Corp. ("AAG"), a Canadian company
- Lupaka Gold Peru S.A.C. ("LGP"), a Peruvian company
- Invicta Mining Corp S.A.C. ("IMC"), a Peruvian company
- Andean Exploraciones S.A.C. ("AES"), a Peruvian company (inactive)
- Greenhydro S.A.C. ("Greenhydro"), a Peruvian company (inactive)

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3 Changes in accounting policy

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning January 1, 2015. Pronouncements that are not applicable to the Company have been excluded from this note. The following pronouncement has been issued but is not yet effective:

IFRS 9 - Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments (“IFRS 9”) to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

4 Equipment

<i>In thousands of dollars</i>	Vehicles and field equipment	Office equip and furniture	Total
Cost			
Balance as at December 31, 2015	607	105	712
Additions	–	3	3
Disposal of equipment	(34)	–	(34)
Foreign exchange	(9)	(2)	(11)
Balance as at December 31, 2016	564	106	670
Foreign exchange	3	(3)	–
Balance as at June 30, 2017	567	103	670
Accumulated depreciation			
Balance as at December 31, 2015	366	84	450
Depreciation	41	11	52
Disposal of equipment	(31)	–	(31)
Foreign exchange	(5)	(2)	(7)
Balance as at December 31, 2016	371	93	464
Depreciation	18	3	21
Foreign exchange	–	–	–
Balance as at June 30, 2017	389	96	485
Carrying amounts			
Balance as at December 31, 2016	193	13	206
Balance as at June 30, 2017	178	7	185

During the six months ended June 30, 2017, \$18,000 (2016 – \$27,000) of depreciation was included in project administration and \$3,000 (2016 – \$2,000) of depreciation was included in office and general.

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5 Mineral properties

The Company's mineral properties comprise the Invicta Gold Project located in northwest Peru, the Crucero Gold Project located in southeast Peru, and an option to earn an ownership position of up to 65% of the Josnitoro Gold Project located in southern Peru.

Invicta Gold Project ("Invicta")

In connection with the Company's October 2012 acquisition of AAG, the Company acquired Invicta, located approximately 120 kilometres by road north of the capital city of Lima, in the Lima Region of central Peru.

Invicta contains a poly-metallic gold-copper underground deposit located within the group of 5 Victoria concessions acquired from Minera Barrick Misquichilca ("Barrick") as well as another concession (Invicta II) obtained by IMC through an acquisition and staking program undertaken prior to the Company's AAG acquisition.

The Invicta resource was originally acquired by AAG by way of an October 2005 option agreement with Barrick (the "Option Agreement"), a wholly-owned subsidiary of Barrick Gold Corporation, which was exercised in 2007. In June 2014, the Company was advised by Barrick that the advance royalty and production royalty agreements were assigned and sold to Franco-Nevada Corporation ("FN"), a royalty and stream company.

The Option Agreement required the Company to pay Barrick US\$200,000 for the mining rights, plus a 1% Net Smelter Royalty ("NSR") capped at US\$800,000. The Option Agreement also called for advance annual royalty payments of US\$100,000, commencing on the date of exercising the option and every anniversary thereafter as well as a requirement to pay FN, upon the commencement of commercial production, US\$50,000 on a quarterly basis (capped at a total of US\$800,000).

On August 7, 2017, the Company paid FN a total of US\$950,000 as full and final settlement of any outstanding and future royalty obligations.

Project financing

On August 9, 2017, the Company announced that it had executed a second amendment (the "Amended Agreement") of the definitive Pre-Paid Forward Gold Purchase Agreement (the "Original Agreement") with PLI Huaura Holdings LP ("PLI"), a limited partnership organized under the laws of British Columbia, previously announced on June 30, 2016. The proceeds from the Amended Agreement will be used to fund the completion of development and initiate production at the Company's Invicta Gold Project ("Invicta"). PLI is an investment vehicle controlled by Pandion Mine Finance ("Pandion").

The gross proceeds (the "Gold Prepayment Amount") to be received will be US\$7 Million (originally US\$6.1 Million), payable in three tranches of US\$2.5 Million ("Tranche 1", which has been received), US\$2.0 Million ("Tranche 2") and US\$2,500,000 ("Tranche 3").

The key condition precedent to the receipt of Tranche 2 is the completion of the registration of the Lacsanga community agreement in the Public Registry system in Peru. The key conditions precedent

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(Presented in Canadian Dollars)

to the receipt of Tranche 3 include the perfection of PLI's mortgage charge against the Invicta concessions and the requirement for the Company to raise US\$2 Million in additional capital.

As in the Original Agreement, each tranche will have a grace period of 15 months after which the Company will deliver to PLI a total of 22,680 (originally 19,530) ounces of gold over the following 45 months. For the repayment ounces, the Company will receive an amount per ounce of gold equal to the market price at the time, less a fixed discount. After the tranches have been repaid, the Company will have no further obligations under the Agreement. During the term of the Agreement, PLI will also share in the upside on any increase in metal prices.

The Company has the right to buy out and terminate the Amended Agreement at any time. The Company's obligations under the Amended Agreement will be secured by a first charge over the Company's assets.

The carrying value for Invicta as at June 30, 2017 is \$11,121,000 (\$11,132,000 – December 31, 2016). The change in carrying value of \$11,000 for the six months ended June 30, 2017 is due to changes in foreign currency translation rates that occurred between the Canadian Dollar and Peruvian Nuevo Sol from December 31, 2016 to June 30, 2017.

Crucero Gold Project (“Crucero”)

Crucero is comprised of 5 100%-owned mining concessions (which are not subject to any royalty interest) and 3 mining concessions held under a 30-year assignment which expires in September 2038 (subject to a maximum of a 5% net smelter return royalty on all gold and other minerals produced from the assigned concessions, dependent on the price of gold). These 8 concessions are held by LGP and make up the Crucero Gold Project.

The carrying value for Crucero as at June 30, 2017 is \$17,524,000 (\$17,541,000 – December 31, 2016). The change in carrying value of \$17,000 for the six months ended June 30, 2017 is due to changes in foreign currency translation rates between the Canadian Dollar and Peruvian Nuevo Sol which occurred from December 31, 2016 to June 30, 2017.

Josnitoro Gold Project (“Josnitoro”)

Effective March 31, 2014, the Company entered into a definitive option agreement with Hochschild Mining plc (“Hochschild”) to earn a 65% interest on Josnitoro (the “Hochschild Option”) in Southern Peru. Josnitoro is an exploration stage gold and copper project in the Department of Apurimac which is comprised of 19 concessions.

Pursuant to the Hochschild Option, the Company is the Josnitoro project operator and must pay 100% of the cost of the required earn-in activities. In order to exercise the Hochschild Option, the Company must maintain the related concessions in good-standing, obtain the required permits and licenses, including community agreements, and invest at least US\$500,000 to obtain the aforementioned social and legal permits which shall enable the Company to start exploration by March 31, 2018.

Once the aforementioned permits and licenses have been obtained, the Company shall have an additional 3 years to complete at least 10,000 metres of drilling, of which 3,000 metres will have to

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be fulfilled in the event that the Company opts out from the foregoing agreement without having exercised the Hochschild Option.

In the event that the Company does not obtain the aforementioned permits and licenses, the minimum metres to be drilled will not be required by Hochschild. Once the 10,000 metres of drilling have been completed, the Company shall have 1 year to deliver a preliminary economic assessment (“PEA”) to Hochschild. In the event that the Company is not able to receive community permission to commence drilling, the Company can abandon the Hochschild Option without penalty.

The carrying value for Josnitoro, for which no consideration has been paid, as at June 30, 2017 and December 31, 2016 was \$Nil.

6 Loans

Bridge Loan 1

On June 30, 2016 (the “Bridge Loan 1 Closing Date”), the Company completed a bridge loan financing (“Bridge Loan 1”) for gross proceeds of \$750,000 with a group of third-party individuals and Insiders of the Company. The Company paid \$8,100 cash in finders’ fees in connection with third-party investors and \$16,300 in other costs.

Bridge Loan 1 is unsecured and bears simple interest at the rate of twelve percent (12%) per annum, calculated and payable semi-annually, with the first interest payment due on December 31, 2016 and each 6 months thereafter. The Bridge Loan 1 and accrued and unpaid interest is payable in full on or before the date that is two years after the Closing Date. Pursuant to the closing of Bridge Loan 1, the Company also issued share purchase warrants (“Bridge Loan 1 Warrants”) as additional consideration for the loan – see Note 8.

In January 2017, the Company entered into Shares For Debt settlement agreements covering the Bridge Loan 1 interest payable as at December 31, 2016 with 6 creditors of the Company as well as the spouse of the Company’s CEO, the personal holding company of the Company’s CFO and a director of the Company, the latter three parties each being considered a related party, collectively, the “Creditors”), whereby the Company issued Common Shares at a price of \$0.15 per share. Pursuant to the Shares For Debt Agreements, \$45,000 of debt was settled and a total of 300,000 Common Shares were issued. The Common Shares issued in connection with the Shares for Debt transaction are subject to a statutory hold period of four months plus one day.

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(Presented in Canadian Dollars)

The recorded value of the Bridge Loan 1 balance as at June 30, 2017 has been calculated as follows:

<i>In thousands of dollars</i>	Liability \$	Equity \$
Balance, January 1, 2016	–	–
Bridge Loan 1 proceeds	750	–
Fair value of Bridge Loan 1 Warrants issued	(336)	336
Bridge Loan 1 issue costs allocated	(13)	(11)
Accretion	68	–
Balance, December 31, 2016	469	325
Accretion	79	–
Balance, June 30, 2017	548	325

Bridge Loan 2

Effective January 12, 2017 (“Closing Date”), the Company completed a bridge loan financing (“Bridge Loan 2”) for gross proceeds of \$300,000 with a group of third-party individuals and Insiders of the Company. The Company paid \$Nil cash in finders’ fees in connection with third-party investors, with the proceeds being used for general working capital purposes.

Bridge Loan 2 is unsecured and bears simple interest at the rate of twelve percent (12%) per annum, calculated and payable semi-annually, with the first interest payment due on June 30, 2017 and each 6 months thereafter. The Bridge Loan 2 principal and accrued and unpaid interest is payable in full on or before the date that is two years after the Closing Date, and pursuant to the closing of Bridge Loan 2, the Company issued share purchase warrants (“Bridge Loan 2 Warrants”) – see Note 8.

The recorded value of the Bridge Loan 2 balance as at June 30, 2017 has been calculated as follows:

<i>In thousands of dollars</i>	Liability \$	Equity \$
Balance, January 1, 2017	–	–
Bridge Loan 2 proceeds	300	–
Fair value of Bridge Loan 2 Warrants issued	(147)	147
Bridge Loan 2 issue costs allocated	–	(1)
Accretion	26	–
Balance, June 30, 2017	179	146

Bridge Loan 3

Effective June 30, 2017 (“Closing Date”), the Company completed a bridge loan financing (“Bridge Loan 3”) for gross proceeds of \$600,000 with a group of third-party individuals and Insiders of the Company. The Company paid \$Nil cash in finders’ fees in connection with third-party investors, with the proceeds being used for general working capital purposes.

Bridge Loan 3 is unsecured and bears simple interest at the rate of twelve percent (12%) per annum, calculated and payable semi-annually. The Bridge Loan 3 principal and accrued and unpaid interest is payable in full on or before three months after the Company receives any additional and/or new financing of at least \$4.0 million or the date that is six months after the closing date, whichever is the

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earlier, and pursuant to the closing of Bridge Loan 3, the Company issued share purchase warrants (“Bridge Loan 3 Warrants”) – see Note 8.

The recorded value of the Bridge Loan 3 balance as at June 30, 2017 has been calculated as follows:

<i>In thousands of dollars</i>	Liability \$	Equity \$
Balance, January 1, 2017	–	–
Bridge Loan 3 proceeds	600	–
Fair value of Bridge Loan 3 Warrants issued	(185)	185
Bridge Loan 3 issue costs allocated	(3)	1
Balance, June 30, 2017	412	186

7 Related party transactions

Details of transactions between the Company and other related parties are disclosed below:

(a) Related party expenditures

Except for the accrual of interest owing for Bridge Loan 1 and Bridge Loan 2 to related parties, the Company otherwise had no related party transactions during the three and six months ended June 30, 2017.

(b) Key management compensation

Key management includes directors and executive officers of the Company. The compensation paid or payable to key management for employee services is shown below:

<i>In thousands of dollars</i>	Three months ended June 30		Six months ended June 30	
	2017 \$	2016 \$	2017 \$	2016 \$
Salaries and benefits	50	32	82	57
Share-based compensation	45	15	88	38
Total key management compensation	95	47	170	95

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(c) Due to related parties

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

As at June 30, 2017:

- i) \$12,000 was payable to an officer, director and a company controlled by a related party for unpaid services rendered, and
- ii) \$644,000 was payable to the former President and C.E.O., pursuant to the October 2015 termination of his employment from the Company.

8 Equity

a) Common shares

Authorized: unlimited with no par value.

On May 24, 2017, the Company completed a non-brokered private placement unit offering with a group of Insiders of the Company (78%) and third-party individuals (22%) to raise gross proceeds of up to \$300,000. The Company issued 2,000,000 units (the "Unit") priced at \$0.15 per Unit. Each Unit consists of one common share and one transferable common share purchase warrant (each, a "Unit Warrant"). Each Unit Warrant entitles the holder to purchase one additional common share, exercisable at \$0.23 for a period of thirty-six months from closing.

During the year ended December 31, 2016, 3,146,429 common shares were issued for proceeds of \$390,500 on the exercise of 1,517,142 share purchase warrants at \$0.15 per share and 1,629,287 warrants at \$0.10 per share. Of the warrants exercised, 1,919,761 were exercised by certain directors and officers of the Company for proceeds of \$226,500.

On February 19, 2016, the Company closed a non-brokered private placement (the "February 2016 Placement") and issued 8,390,000 Units priced at \$0.05 per Unit, for gross proceeds of \$419,500. For the February 2016 Placement, each Unit consists of one common share and one transferable common share purchase warrant (the "Placement Warrant"). Each Placement Warrant entitles the holder to purchase one additional common share, exercisable at \$0.10 for a period of thirty-six months from closing. No Insiders of the Company participated in the February 2016 Placement and finders' fees to arm's-length parties consisted of \$16,110 in cash. Other share issue costs totalled approximately \$3,500.

Lupaka Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) For the three and six months ended June 30, 2017 and 2016

(Presented in Canadian Dollars)

b) Warrants

The Company has the following warrants outstanding as at June 30, 2017:

Year of Expiry	Range of exercise prices \$	Outstanding and Exercisable		
		Number of options outstanding	Weighted average exercise price \$	Weighted average remaining contractual life (years)
2017*	0.30	8,372,500	0.30	0.1
2018	0.10 – 0.20	15,610,855	0.16	1.1
2019	0.10 – 0.20	9,190,000	0.12	1.6
2020	0.23	2,000,000	0.23	2.9
	0.10 – 0.30	35,173,355	0.19	1.1

* - these warrants expired on August 8, 2017.

Following is a continuity schedule for the Company's warrants, to June 30, 2017:

	Weighted average exercise price \$	Number of share purchase warrants
Outstanding – beginning of period	0.19	28,173,355
Placement Warrants issued	0.23	2,000,000
Bridge Loan 2 Warrants issued	0.20	1,500,000
Bridge Loan 3 Warrants issued	0.15	4,000,000
Warrants exercised	0.10	(500,000)
	0.19	35,173,355

All outstanding Warrants issued prior to March 2016 are subject to an acceleration clause such that in the event that the closing price of Lupaka Gold's common shares is greater than \$0.30 for a period of 20 consecutive trading days, Lupaka Gold may accelerate the expiry date of these Warrants by giving notice to the holders thereof through the issuance of a press release. In such case, these Warrants will expire on the 30th day after the date on which such notice is given. Warrants issued after March 2016, including all Bridge Loan Warrants, are not subject to an acceleration clause.

Bridge Loan 1 Warrants

Pursuant to the closing of Bridge Loan 1, the Company issued to the Lenders an aggregate of 3,750,000 non-transferrable warrants (the "Bridge Loan 1 Warrants"). Each Loan Warrant, which expires June 30, 2018, entitles the holder to purchase 1 common share of the Company at a price of C\$0.20 per share.

Lupaka Gold Corp.

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(Presented in Canadian Dollars)

Bridge Loan 2 Warrants

Pursuant to the closing of Bridge Loan 2, the Company issued to the Lenders an aggregate of 1,500,000 non-transferrable warrants (the "Bridge Loan 2 Warrants"), such number being equal to the amount of the Loan divided by \$0.20. Each Bridge Loan 2 Warrant, which expires January 12, 2019, entitles the holder to purchase one common share of the Company at a price of C\$0.20 per share.

Bridge Loan 3 Warrants

Pursuant to the closing of Bridge Loan 3, the Company issued to the Lenders an aggregate of 4,000,000 non-transferrable warrants (the "Bridge Loan 3 Warrants"), such number being equal to the amount of the Loan divided by \$0.15. Each Bridge Loan 3 Warrant, which expires June 30, 2018, entitles the holder to purchase one common share of the Company at a price of C\$0.15 per share.

c) Share options

The Company has in place an incentive share option plan dated September 20, 2010 (the "Option Plan") for directors, officers, employees and consultants to the Company. The Option Plan provides that the directors of the Company may grant options to purchase common shares on terms that the directors may determine, within the limitations of the Option Plan, including:

- The maximum number of common shares issuable pursuant to options granted under the Option Plan shall not exceed 10% of the outstanding common shares issued at the date of grant and
- The terms of options are a minimum of one year and a maximum of ten years from the date the option is granted, with the most common option terms being two and five years.

Vesting terms are determined for each grant by the Company's Board of Directors. No options were granted in the six months ended June 30, 2017.

A summary of changes to share options outstanding and exercisable is as follows:

	Six months ended June 30,			
	2017	Weighted average exercise price \$	2016	Weighted average exercise price \$
Options outstanding – beginning of period	8,672,500	0.18	8,118,750	0.34
Expired	–	–	(236,250)	1.21
Forfeited	(7,500)	0.16	(30,000)	0.06
Options outstanding – end of period	8,665,000	0.18	7,852,500	0.32
Options exercisable – end of period	7,462,500	0.18	6,487,500	0.37

No options were granted or exercised in the six months ended June 30, 2017 or 2016.

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six months ended June 30, 2017 and 2016

(Presented in Canadian Dollars)

Non-cash share-based compensation costs of \$126,000 have been recorded for the six months ended June 30, 2017 (June 30, 2016 – \$53,000), allocated as follows:

<i>In thousands of dollars</i>	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Salaries and benefits	39	16	89	40
Shareholder and investor relations	8	2	16	5
Project administration	6	1	14	5
Camp and related	3	2	7	3
Total share-based compensation	56	21	126	53

The following table summarizes information about share options outstanding and exercisable at June 30, 2017:

Year of Expiry	Range of exercise prices \$	Outstanding			Exercisable		
		Number of options outstanding	Weighted average exercise price \$	Weighted average remaining contractual life (years)	Number of options exercisable	Weighted average exercise price \$	Weighted average remaining contractual life (years)
2017	0.45	935,000	0.45	0.4	935,000	0.45	0.4
2018	0.24 – 0.40	1,610,000	0.27	1.2	1,610,000	0.27	1.2
2019	0.13	1,285,000	0.13	2.4	1,285,000	0.13	2.4
2020	0.06	2,430,000	0.06	3.4	2,430,000	0.06	3.4
2021	0.16	2,405,000	0.16	4.4	1,202,500	0.16	4.4
	0.06 – 0.45	8,665,000	0.18	2.8	7,462,500	0.18	2.5

9 Segmented information

The Company operates in one segment, being mineral exploration and development. Losses for the three and six months ended June 30, 2017 and 2016 and total assets by geographic location are as follows:

<i>In thousands of dollars</i>	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Loss				
Canada	212	160	417	263
Peru	418	401	732	704
	630	561	1,149	967

Lupaka Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) For the three and six months ended June 30, 2017 and 2016

(Presented in Canadian Dollars)

<i>In thousands of dollars</i>	June, 2017	December 31, 2016
Total assets		
Canada	59	77
Peru	28,896	28,971
	28,955	29,048

10 Commitment and contingency

Office lease

The Company's remaining lease payments total \$24,000 as at June 30, 2017 for its Vancouver, Canada office lease, which expires March 31, 2018.

SUNAT

In 2008, the Peruvian tax authority, SUNAT, completed an audit of the tax filings of a former AAG Peruvian subsidiary named El Misti Gold ("EMG") for the years 2002 to 2004, and challenged the deductibility of certain property write-offs and foreign exchange losses in those filings. Subsequent to 2008, EMG transferred and/or sold its assets to various entities, including the sale of 13 concessions to IMC that are the source of these SUNAT tax filing challenges. Additionally, EMG no longer exists as a legal entity in Peru.

As the SUNAT challenges for 2003 and 2004 are mainly based on the insufficiency of the carry-forward losses according to SUNAT's determination of EMG's tax obligation of 2002, the result of the 2002 proceeding will have a direct impact on the proceedings of 2003 and 2004. Consequently, the 2003 and 2004 tax proceedings were revoked by the Tax Court, as the existing claims for 2002 need to be resolved first. However, such revocations do not fully terminate and discharge the tax contingency, given that once the Tax Court rules on the 2002 proceeding, SUNAT would be entitled to recalculate the corresponding interest and penalties and, if applicable, pursue action.

The Company has been advised by legal counsel that SUNAT could subsequently initiate an action against IMC as (being) jointly and severally liable for EMG's tax contingencies in order to collect, at a minimum, the 2002 tax assessment of ~US\$365,000 (excluding interest).

In the event that the Company is not successful in its appeal of the 2002 tax proceeding or SUNAT chooses to initiate collection action against IMC, management has been advised by Peruvian legal counsel that the maximum value of the related contingent tax assessment would be capped at the market value of the concessions sold by EMG to IMC at the time, which is estimated by an independent valuator to be ~US\$110,000.

As at June 30, 2017, no loss provision has been made for the above-noted remaining SUNAT assessment(s) in these consolidated financial statements as neither the probability or the amount of the contingent amount can be reasonably estimated.