

# **Lupaka Gold Corp.**

**Condensed Consolidated Interim Financial Statements**  
**For the three and nine months ended September 30, 2015 and 2014**  
(expressed 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 September 30, 2015 and December 31, 2014

(expressed in Thousands of Canadian Dollars)

	September 30, 2015 \$	December 31, 2014 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	104	2,239
Trade and other receivables (Note 4)	42	43
Share subscriptions receivable (Note 7(c))	50	–
Prepaid expenses and deposits	103	119
	299	2,401
<b>Non-current assets</b>		
Equipment (Note 5)	302	327
Mineral properties (Note 6)	29,784	27,935
<b>Total assets</b>	<b>30,385</b>	<b>30,663</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables and accrued liabilities	1,209	1,159
<b>Long-term liabilities</b>		
Provisions for reclamation	405	380
<b>Total liabilities</b>	<b>1,614</b>	<b>1,539</b>
<b>Equity</b>		
Common shares (Note 8(a))	57,717	57,360
Warrants (Note 8(b))	780	541
Contributed surplus	3,818	3,751
Deficit	(36,739)	(33,930)
Accumulated other comprehensive income	3,195	1,402
<b>Total equity</b>	<b>28,771</b>	<b>29,124</b>
<b>Total liabilities and equity</b>	<b>30,385</b>	<b>30,663</b>

Nature of operations and going concern (Note 1)

Commitments and contingencies (Notes 6 and 11)

Supplemental cash flow information (Note 10)

Approved and authorized for issue by the Board on November 13, 2015

*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 nine months ended September 30, 2015 and 2014

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Operating expenses</b>				
Exploration				
Camp, community relations and related costs	193	384	1,343	1,360
Project administration	47	271	699	826
Technical reports, assays and related costs	–	7	–	58
Other	1	3	3	5
	241	665	2,045	2,249
General and administration				
Salaries and benefits	83	126	359	453
Shareholder and investor relations	5	76	169	356
Professional and regulatory fees	22	10	106	146
Office and general	29	55	98	171
Travel	3	2	13	26
	142	269	745	1,152
<b>Operating loss</b>	383	934	2,790	3,401
Impairment loss on available-for-sale financial asset	–	(391)	–	(90)
Finance income	–	(7)	(5)	(21)
Foreign exchange loss (gain)	16	(8)	24	(35)
<b>Loss for the period</b>	399	528	2,809	3,255
<b>Weighted average number of shares outstanding, basic and diluted</b>	95,482,290	89,220,110	93,534,929	86,087,418
<b>Loss per share, basic and diluted</b>	\$0.00	\$0.01	\$0.03	\$0.04

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Consolidated statements of comprehensive loss</b>				
<b>Loss for the period</b>	399	528	2,809	3,255
Items that may be subsequently reclassified to profit or loss	–	402	–	–
Currency translation adjustment on foreign operations	(1,591)	(413)	(1,793)	(542)
<b>Comprehensive (gain) loss</b>	(1,192)	517	1,016	2,713

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 nine months ended September 30, 2015 and 2014

(expressed in Thousands of Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2015 \$	2014 \$	2015 \$	2014 \$
<b>Cash flows from (used in) operating activities</b>				
Loss for the period	(399)	(528)	(2,809)	(3,255)
Adjustment for items not affecting cash:				
Depreciation	55	52	113	138
(Gain) on sale, impairment loss on available-for-sale financial asset	–	(391)	–	(90)
Share-based compensation	9	32	66	154
Loss on write-down of equipment	–	–	–	3
Gain on sale of equipment	–	–	–	(7)
	(335)	(835)	(2,630)	(3,057)
Changes in non-cash working capital				
Trade and other receivables	–	1	1	(6)
Prepaid expenses and deposits	15	10	16	(103)
Share subscriptions receivable	(50)	–	(50)	–
Trade and other payables	(26)	(167)	50	(549)
Due to related parties	(56)	–	–	–
Provision for reclamation	–	6	–	7
<b>Net cash used in operating activities</b>	<b>(452)</b>	<b>(985)</b>	<b>(2,613)</b>	<b>(3,708)</b>
<b>Cash flows from (used in) investing activities</b>				
Purchase of equipment	(54)	(23)	(87)	(57)
Sale of equipment	–	–	–	284
Sale of investment in Southern Legacy Minerals Inc.	–	995	–	995
<b>Net cash from (used in) investing activities</b>	<b>(54)</b>	<b>972</b>	<b>(87)</b>	<b>1,222</b>
<b>Cash flows from financing activities</b>				
Private placement proceeds, net (Note 9)	596	1,521	596	1,521
<b>Net cash from financing activities</b>	<b>596</b>	<b>1,521</b>	<b>596</b>	<b>1,521</b>
Net decrease in cash and cash equivalents	90	1,508	(2,104)	(965)
Cash and cash equivalents - start of period	43	1,426	2,239	3,906
Effect of foreign exchange rate changes on cash and cash equivalents	(29)	(4)	(31)	(11)
<b>Cash and cash equivalents - end of period</b>	<b>104</b>	<b>2,930</b>	<b>104</b>	<b>2,930</b>

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 nine months ended September 30, 2015 and 2014

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

	Nine months ended September 30,			
	2015		2014	
	Number		Number	
<b>Common shares ( Note 8 (a))</b>				
Balance – start of period	92,545,110	57,360	84,495,110	56,380
Issued pursuant to a private placement	8,818,141	357	8,050,000	980
Balance – end of period	101,363,251	57,717	92,545,110	57,360
<b>Share purchase warrants ( Note 8 (b))</b>				
Balance – start of period		541		716
Issued pursuant to a private placement		239		541
Share purchase warrants expired		–		(716)
Balance – end of period		780		541
<b>Contributed surplus ( Note 8 (c))</b>				
Balance – start of period		3,751		2,811
Share-based compensation		67		154
Share purchase warrants expired		–		716
Balance – end of period		3,818		3,681
<b>Deficit</b>				
Balance – start of period		(33,930)		(29,321)
Loss for the period		(2,809)		(3,255)
Balance – end of period		(36,739)		(32,576)
<b>Accumulated other comprehensive income</b>				
Balance – start of period		1,402		743
Currency translation adjustment on foreign operations		1,793		542
Balance – end of period		3,195		1,285
Total equity		28,771		30,291

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 nine months ended September 30, 2015 and 2014

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(expressed 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 properties 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 Peru on the Bolsa de Valores de Lima (“BVL”, otherwise known as the Lima Stock Exchange) under the symbol LPK, and in Germany on the Frankfurt Exchange under the symbol LQP. The Company announced on February 17, 2015 that its common shares would voluntarily be delisted from the Toronto Stock Exchange after the close of trading that day and immediately listed on the TSX Venture Exchange, which occurred with no interruption in trading.

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. The Company has a working capital deficit of \$910,000, a loss of \$2,809,000 for the nine months ended September 30, 2015 and a deficit of \$36,739,000.

The Company’s ability to continue as a going concern is dependent upon its ability to raise funds through the issuance of shares or sources of alternative financing.

### 2 Basis of preparation

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

#### 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

# Lupaka Gold Corp.

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) For the three and nine months ended September 30, 2015 and 2014

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(expressed in Canadian Dollars)

should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014.

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, 2014.

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on November 13, 2015.

### **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-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



# Lupaka Gold Corp.

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) For the three and nine months ended September 30, 2015 and 2014

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(expressed in Canadian Dollars)

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 11.

### *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)

# Lupaka Gold Corp.

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine months ended September 30, 2015 and 2014

(expressed in Canadian Dollars)

### 3 Changes in accounting policy

In February 2014, the IASB decided that the effective date of IFRS 9, Financial Instruments (“IFRS 9”), will be January 1, 2018. Adoption of IFRS 9 could change the classification and measurement of financial assets and the extent of the effects of IFRS 9 on the interim financial statements has not been determined.

### 4 Trade and other receivables

The Company’s trade and other receivables consist of goods and services taxes due from the Governments of Canada and Peru. The Company anticipates full recovery of its outstanding trade and other receivables within one year.

### 5 Equipment

<i>In thousands of dollars</i>	<b>Vehicles and field equipment</b>	<b>Office equip and furniture</b>	<b>Total</b>
<b>Cost</b>			
Balance as at December 31, 2013	984	200	1,184
Additions	60	18	78
Disposal of equipment	(345)	(120)	(465)
Balance as at December 31, 2014	698	98	796
Additions	76	12	88
Balance as at September 30, 2015	774	110	884
<b>Accumulated depreciation</b>			
Balance as at December 31, 2013	375	140	515
Depreciation	107	34	140
Disposal of equipment	(68)	(118)	(186)
Balance as at December 31, 2014	414	55	469
Depreciation	85	28	113
Balance as at September 30, 2015	499	83	582
<b>Carrying amounts</b>			
Balance as at December 31, 2014	284	43	327
Balance as at September 30, 2015	275	27	302

During the nine months ended September 30, 2015, \$109,000 (2014 – \$134,000) of depreciation was included in project administration and \$4,000 (2014 – \$4,000) of depreciation was included in office and general.

# Lupaka Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)  
For the three and nine months ended September 30, 2015 and 2014

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(expressed in Canadian Dollars)

## 6 Mineral properties

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

### *Crucero Gold Project ("Crucero")*

The Crucero concessions comprise six 100%-owned mining concessions (which are not subject to any royalty interest) and three mining concessions held under a 30-year assignment which expires in September 2038 (which are 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 nine concessions are held by LGP and make up the Crucero Gold Project.

The carrying value of Crucero as at September 30, 2015 is \$18,221,000 (\$17,090,000 – December 31, 2014). The change in carrying value of \$1,131,000 for the nine months ended September 30, 2015 is due to changes in foreign currency translation rates between the Canadian Dollar and Peruvian Nuevo Sol which occurred from December 31, 2014 to September 30, 2015.

### *Invicta Gold Project ("Invicta")*

In October 2012, the Company acquired Invicta, which is located in the Lima Region of central Peru, and comprises forty-one concession and petition claims that are held by IMC and which make up the Invicta Gold Project.

Invicta was originally acquired by AAG by way of an October 2005 option agreement with Minera Barrick Misquichilca ("Barrick"), a wholly-owned subsidiary of Barrick Gold Corporation ("ABX"), which was exercised in 2007. The option agreement requires 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 agreement also calls for advance annual royalty payments of US\$100,000, commencing on the date of exercising the option and every anniversary thereafter. To September 30, 2015, US\$800,000 has been paid for the mining rights and advance royalties and US\$100,000 is accrued. In addition to the advance royalty payments, and only on the commencement of commercial production, the Company will be required to also pay US\$50,000 on a quarterly basis, which is capped at a total of US\$800,000. 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, a gold-focused royalty and stream company.

The carrying value of the Invicta mineral property as at September 30, 2015 is \$11,563,000 (\$10,845,000 – December 31, 2014). The change in carrying value of \$718,000 for the nine months ended September 30, 2015 is due to changes in foreign currency translation rates that occurred between the Canadian Dollar and Peruvian Nuevo Sol from December 31, 2014 to September 30, 2015.

# Lupaka Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine months ended September 30, 2015 and 2014

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(expressed in Canadian Dollars)

## *Josnitoro Gold Project (“Josnitoro”)*

In November 2013, the Company acquired an option from Hochschild Mining plc (“Hochschild”) to earn-in to a 65% interest on Josnitoro (the “Option”) in Southern Peru. Josnitoro is an exploration stage gold and copper project in the Department of Apurimac which comprises nineteen concessions.

The Company will be the project operator and must pay 100% of the cost of the required earn-in activities. In order to exercise the Option to acquire a 65% interest, 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 within 3 years of the execution of a definitive agreement. Once the aforementioned permits have been obtained, the Company shall have 3 years to complete at least 10,000 metres of drilling, of which 3,000 metres will have to be fulfilled in the event that the Company opts out from the foregoing agreement without having exercised the Option. In the event that the Company does not obtain the aforementioned permits, the minimum metres to be drilled will not be required by the Hochschild. Once the 10,000 metres of drilling have been completed, the Company shall have one 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 Option with no penalty.

The carrying value of the Josnitoro Gold Project, for which no consideration has been paid, as at September 30, 2015 and December 31, 2014 was \$Nil.

## **7 Related party transactions**

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

### (a) Related party expenditures

During the nine months ended September 30, 2015 and 2014, the Company had related party transactions with K-Rok Minerals Inc. (“K-Rok”, a significant shareholder of the Company), which is owned 60% by ABE Industries Inc. (“ABE”), 35% by Havilah Holdings Inc. (“Havilah”) and 5% by another individual. ABE is wholly-owned by Gordann Consultants Ltd., a company in which Gordon Ellis owns a 51% interest and his wife, Margaret Ellis, owns a 49% interest. Gordon Ellis is the 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.

# Lupaka Gold Corp.

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine months ended September 30, 2015 and 2014

(expressed in Canadian Dollars)

The Company incurred the following expenditures in the normal course of operations in connection with private companies controlled by shareholders (including their immediate family) of K-Rok, and directors as below:

Nature of Transaction	Three months ended		Nine months ended	
	September 30		September 30	
<i>In thousands of dollars</i>	2015	2014	2015	2014
	\$	\$	\$	\$
Shareholder and investor relations	–	28	60	88
Project administration	–	3	38	28
Salaries and benefits	–	9	11	14
Professional and regulatory	–	7	–	7
	–	47	109	137

(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:

	Three months ended		Nine months ended	
	September 30		September 30	
<i>In thousands of dollars</i>	2015	2014	2015	2014
	\$	\$	\$	\$
Salaries and benefits	131	149	450	441
Share-based compensation	7	23	46	123
Total key management compensation	138	172	496	564

(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 September 30, 2015, \$15,000 was payable to an officer, director and a company controlled by a related party for unpaid services rendered, and \$30,000 was receivable from a company controlled by a related party for a share subscription (paid on October 8, 2015).

# Lupaka Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)  
For the three and nine months ended September 30, 2015 and 2014

(expressed in Canadian Dollars)

## 8 Equity

### a) Common shares

Authorized: unlimited with no par value.

On August 24, 2015, the Company closed the first tranche of a non-brokered private placement (“the Placement”) and issued 6,460,854 Units priced at \$0.07 per Unit, for gross proceeds of \$452,260. On September 25, 2015, the Company closed a second and final tranche of the Placement by issuing 2,146,430 Units at a price of \$0.07 for gross proceeds of \$150,250. For both tranches of the Placement, each Unit consists of one common share and one transferable common share purchase warrant (the “Warrant”). Each Warrant entitles the holder to purchase one additional common share, exercisable at \$0.15 for a period of thirty-six months from closing. As part of the Placement, certain directors and officers of the Company acquired a total of 1,402,999 Units.

Proceeds and related issue costs of the Placement have been allocated between share capital and warrants based on the residual value of the underlying common shares and Warrants. For purposes of this allocation, the Company allocated \$0.042 of the issue price of each common share and \$0.028 of the issue price for the issue of each Warrant, calculated using the Black-Scholes model. The assumptions used to value the Warrants include an expected life of 1.5 years, 128% expected annual volatility, a risk-free rate of 03.8% and expected dividends of \$Nil.

Finders’ fees to arm’s-length parties in connection with the Placement consists of 210,857 Common Shares issued. Share issue costs totalled approximately \$5,900.

### b) Share purchase warrants

As a result of the Placement outlined in Note 8 (a), the Company now has the following share purchase warrants outstanding:

	<b>Weighted average exercise price \$</b>	<b>Number of share purchase warrants</b>
Outstanding – beginning of period	0.41	8,985,000
Placement Warrants issued:		
August 21, 2018 expiry	0.15	6,460,854
September 25, 2018 expiry	0.15	2,146,430
Expired	1.87	(612,500)
Outstanding – end of period	0.22	16,979,784

At any time following the date that is four months after the date of issue, the Warrants are subject to an acceleration clause in the event 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 the warrants by giving notice to the holders thereof through the issuance of a press release. In such case, the Warrants will expire on the 30th day after the date on which such notice is given.

# Lupaka Gold Corp.

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) For the three and nine months ended September 30, 2015 and 2014

(expressed in Canadian Dollars)

### 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 three and nine months ended September 30, 2015.

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

	<b>Nine months ended September 30,</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Number of share options</b>	<b>Weighted average exercise price \$</b>	<b>Number of share options</b>	<b>Weighted average exercise price \$</b>
Options outstanding – beginning of period	9,198,000	0.48	8,439,350	0.57
Forfeited	(537,500)	0.28	(976,350)	0.56
Expired	(811,250)	0.58	–	–
Options outstanding – end of period	7,849,250	0.48	7,463,000	0.56
Options exercisable – end of period	7,134,250	0.52	6,548,000	0.61

Non-cash share-based compensation costs of \$67,000 have been recorded for the nine months ended September 30, 2015 (\$154,000 – nine months ended September 30, 2014), allocated as follows:

<i>In thousands of dollars</i>	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Salaries and benefits	6	19	43	90
Project administration	3	10	15	47
Shareholder and investor relations	–	1	6	9
Camp and related	–	1	2	5
Consulting and other	–	1	–	3
Total share-based compensation	9	32	66	154

# Lupaka Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine months ended September 30, 2015 and 2014

(expressed in Canadian Dollars)

The following table summarizes information about share options outstanding and exercisable at September 30, 2015:

Year of Expiry	Range of exercise prices \$	Number of options outstanding	Outstanding		Exercisable		
			Weighted average exercise price \$	Weighted average remaining contractua l life (years)	Number of options exercisable	Weighted average exercise price \$	Weighted average remaining contractua l life (years)
2015	0.30	250,000	0.30	0.0	250,000	0.30	0.0
2015	0.50 – 0.60	1,850,000	0.51	0.0	1,850,000	0.51	0.0
2016	0.50 – 1.21	954,000	1.08	1.0	954,000	1.08	1.0
2016	2.00 – 3.22	232,750	2.32	0.8	232,750	2.32	0.8
2017	0.45	1,075,000	0.45	2.1	1,075,000	0.45	2.1
2018	0.20 – 0.40	1,965,000	0.26	3.0	1,965,000	0.26	3.0
2019	0.13	1,522,500	0.13	4.1	807,500	0.13	4.1
	0.13 – 3.22	7,849,250	0.48	2.0	7,134,250	0.52	1.8

## 9 Segmented information

The Company operates in one segment, being mineral exploration and development. Losses for the three and nine months ended September 30, 2015 and 2014 and total assets by geographic location are as follows:

<i>In thousands of dollars</i>	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Loss				
Canada	160	(138)	765	1,005
Peru	239	666	2,044	2,250
	399	528	2,809	3,255

<i>In thousands of dollars</i>	September 30, 2015	December 31, 2014
Total assets		
Canada	126	1,967
Peru	30,259	28,696
	30,385	30,663



# Lupaka Gold Corp.

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) For the three and nine months ended September 30, 2015 and 2014

(expressed in Canadian Dollars)

### 10 Supplemental cash flow information

Cash and cash equivalents comprise the following:

<i>In thousands of dollars</i>	<b>September 30, 2015</b>	<b>December 31, 2014</b>
Cash on hand and balances with banks	104	410
Cash equivalents	–	1,829
	<b>104</b>	<b>2,239</b>

At September 30, 2015, the Company had no short-term investments.

On July 30, 2014, the Company sold all of its shares of Southern Legacy in an open-market transaction conducted through the TSX Venture Exchange for net proceeds of approximately \$995,000. This sale resulted in a realized loss of \$3,043,000, of which the Company recognized a net gain of \$90,000 in 2014, loss of \$1,657,000 in 2013 and loss of \$1,476,000 in 2012.

### 11 Commitment and contingency

SUNAT, the Peruvian tax authority, completed its audit of the tax filings of a former AAG Peruvian subsidiary for the years 2002 to 2004. SUNAT has challenged the deductibility of certain property write-offs and foreign exchange losses in those filings that may result in additional tax assessments and the imposition of fines and interest amounting in total to approximately US\$5,000,000. The Company is of the opinion that these deductions are legitimate and can be successfully defended in the appeals processes that are available under Peruvian law, which may take as long as five years to reach a conclusion. As at September 30, 2015, no loss provision has been made in these condensed consolidated interim financial statements.

The Company's remaining minimum operating lease payments to September 30, 2017, excluding operating costs, for its Vancouver, Canada office total \$30,000 as at September 30, 2015.