

Lupaka Gold Corp.

Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2014 and 2013
(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 interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated 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 interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

Lupaka Gold Corp.

Condensed Consolidated Interim Statements of Financial Position (Unaudited)

As at June 30, 2014 and December 31, 2013

(Expressed in thousands of Canadian Dollars)

	June 30, 2014 \$	December 31, 2013 \$
Assets		
Current assets		
Cash and cash equivalents	1,426	3,906
Trade and other receivables (Note 4)	229	222
Prepaid expenses and deposits	264	151
	1,919	4,279
Non-current assets		
Investment in Southern Legacy Minerals Inc. (Note 6)	1,005	904
Equipment (Note 5)	336	669
Mineral properties (Note 7)	27,391	27,254
Total assets	30,651	33,106
Liabilities		
Current liabilities		
Trade and other payables	1,024	1,406
Provision for reclamation	372	371
	1,396	1,777
Equity		
Common shares (Note 9 (a))	56,380	56,380
Share purchase warrants (Note 9 (b))	–	716
Contributed surplus	3,649	2,811
Deficit	(32,048)	(29,321)
Accumulated other comprehensive income	1,274	743
Total equity	29,255	31,329
Total liabilities and equity	30,651	33,106

Nature of operations (Note 1)

Contingencies (Note 12)

Subsequent events (Notes 6 and 13)

Approved and authorized for issue by the Board on August 7, 2014.

“signed” John Graf

Director

“signed” Eric Edwards

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, 2014 and 2013

(Expressed in thousands of Canadian Dollars, except share data)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Operating expenses				
Exploration				
Camp, community relations and related costs	614	786	976	1,430
Project administration	347	871	555	1,662
Technical reports, assays and related costs	43	50	51	222
Other	–	27	2	78
	1,004	1,734	1,584	3,392
General and administration				
Salaries and benefits	139	195	327	646
Shareholder and investor relations	81	454	280	624
Professional and regulatory fees	64	50	136	209
Office and general	58	66	116	145
Travel	9	5	24	19
	351	770	883	1,643
Operating loss	1,355	2,504	2,467	5,035
Impairment loss on available-for-sale financial asset (Note 6)	–	344	301	1,329
Finance income	(5)	(19)	(14)	(46)
Foreign exchange loss (gain)	15	(56)	(27)	(65)
Loss for the period	1,365	2,773	2,727	6,253
Weighted average number of shares outstanding, basic and diluted	84,495,110	84,972,896	84,495,110	83,531,397
Loss per share, basic and diluted	\$0.02	\$0.03	\$0.03	\$0.07
	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Consolidated statements of comprehensive loss				
Loss for the period	1,365	2,773	2,727	6,253
Items that may be subsequently reclassified to profit or loss	(402)	–	(402)	–
Currency translation adjustment on foreign operations	803	1,029	(129)	893
Comprehensive loss	1,776	3,802	2,196	7,146

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, 2014 and 2013

(Expressed in thousands of Canadian Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Cash flows from (used in) operating activities				
Loss for the period	(1,365)	(2,773)	(2,727)	(6,253)
Adjustment for items not affecting cash:				
Depreciation	33	69	86	163
Impairment loss on available-for-sale financial asset	–	344	301	1,329
Share-based compensation	54	149	122	329
Loss on write-down of equipment	3	105	3	105
Gain on sale of equipment	–	–	(7)	–
	(1,275)	(2,106)	(2,222)	(4,327)
Changes in non-cash working capital				
Trade and other receivables	10	34	(7)	214
Prepaid expenses and deposits	(99)	(125)	(113)	(125)
Trade and other payables	(170)	(86)	(383)	33
Provision for reclamation	(11)	(27)	2	(41)
Net cash used in operating activities	(1,545)	(2,310)	(2,723)	(4,246)
Cash flows from (used in) investing activities				
Purchase of equipment	17	19	(34)	(75)
Proceeds on sale of equipment	–	–	284	–
Net cash from (used in) investing activities	17	19	250	(75)
Effect of foreign exchange rate changes on cash and cash equivalents	14	(29)	(7)	(19)
Net decrease in cash and cash equivalents	(1,514)	(2,320)	(2,480)	(4,340)
Cash and cash equivalents – beginning of period	2,940	8,696	3,906	10,716
Cash and cash equivalents - end of period	1,426	6,376	1,426	6,376

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, 2014 and 2013

(Expressed in thousands of Canadian Dollars, except share data)

	Six months ended June 30,			
	2014		2013	
	Number	\$	Number	\$
Common shares (Note 9 (a))				
Balance – beginning of period	84,495,110	56,380	81,751,769	55,782
Shares issued (Note 7)	–	–	3,221,127	598
Balance – end of period	84,495,110	56,380	84,972,896	56,380
Share purchase warrants (Note 9 (b))				
Balance – beginning and end of period		716		802
Share purchase warrants expired		(716)		–
Balance – beginning and end of period		–		802
Contributed surplus (Note 9 (c))				
Balance – beginning of period		2,811		2,107
Share-based payment expense		122		329
Share purchase warrants expired		716		–
Balance – end of period		3,649		2,436
Share-based contingent consideration				
Balance – beginning of period		–		598
Shares issued		–		(598)
Balance – end of period		–		–
Deficit				
Balance – beginning of period		(29,321)		(19,539)
Loss for the period		(2,727)		(6,253)
Balance – end of period		(32,048)		(25,792)
Accumulated other comprehensive income				
Balance – beginning of period		743		1,467
Increase in value of investment		402		–
Currency translation adjustment on foreign operations		129		(893)
Balance – end of period		1,274		574
		29,255		34,400

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

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six months ended June 30, 2014 and 2013

(expressed in Canadian Dollars)

1 Nature of operations

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. In January 2012, Lupaka acquired the remaining 40% of Lupaka Gold Peru S.A.C. (“LGP”, formerly known as Minera Pacacorral S.A.C.) that it did not own, and on October 1, 2012 Lupaka acquired 100% of the shares of Andean American Gold Corp. (“AAG”) and its subsidiaries, which included a 17% ownership interest in Southern Legacy Minerals Inc. (“Southern Legacy”) – see Note 6.

Lupaka’s registered office is located at 700 – 595 Howe Street, Vancouver, BC, V6C 2T5 and its records office is located at 428 – 800 West Pender Street, Vancouver, BC, V6C 2V6. Lupaka’s common shares trade in Canada on the Toronto Stock Exchange (“TSX”) 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.

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

On an ongoing basis, the Company examines various financing alternatives to address future funding requirements, though there is no guarantee of the sufficiency or success of these initiatives. See also Notes 6 and 13.

2 Basis of preparation

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, 2013.

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, 2013.

These interim financial statements were approved by the Company’s Board of Directors on August 7, 2014.

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2.2 Judgements

In preparing these interim financial statements, the Company is required to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and judgements used in developing and applying the accounting policies are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis.

2.3 Basis of consolidation

The results of subsidiaries acquired or disposed of during the period 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 consolidated financial statements include the accounts of Lupaka and its subsidiaries, all of which are 100% owned:

- AAG, a Canadian company
- 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)

AAG and its wholly-owned subsidiaries, IMC, AES and Greenhydro, were acquired on October 1, 2012.

3 Change in accounting standards

The Company has applied the following new and revised IFRS standards and interpretations in these interim financial statements effective January 1, 2014:

- IFRIC 21, Levies,
- IAS 1, Presentation of Financial Statements

Adoption of the above standards and interpretations did not have a significant effect on the interim financial statements of the Company.

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.

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4 Trade and other receivables

The Company's trade and other receivables consist of goods and services equivalent 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>	Vehicles and field equipment \$	Office equipment and furniture \$	Total \$
Cost			
Balance as at December 31, 2012	1,018	152	1,170
Additions	59	48	107
Write-down of	(89)	–	(89)
Sale of equipment	(4)	–	(4)
Balance as at December 31, 2013	984	200	1,184
Additions	27	7	34
Disposal of equipment	(363)	(100)	(463)
Balance as at June 30, 2014	648	107	755
Accumulated depreciation			
Balance as at December 31, 2012	124	43	167
Depreciation	253	97	350
Sale of equipment	(2)	–	(2)
Balance as at December 31, 2013	375	140	515
Depreciation	68	19	87
Disposal of equipment	(83)	(100)	(183)
Balance as at June 30, 2014	360	59	419
Carrying amounts			
Balance as at December 31, 2013	609	60	669
Balance as at June 30, 2014	288	48	336

During the six months ended June 30, 2014, \$83,000 (\$154,000 – six months ended June 30, 2013) of depreciation, a \$7,000 (\$Nil – six months ended June 30, 2013) gain on sale of field equipment and a \$3,000 (\$105,000 – six months ended June 30, 2013) loss on write-down of field equipment were included in project administration, while \$4,000 (\$9,000 – six months ended June 30, 2013) of depreciation was included in office and general.

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6 Investment in Southern Legacy Minerals Inc.

As a result of the AAG acquisition, the Company acquired 9,841,269 common shares in Southern Legacy, representing approximately 17% of the issued and outstanding ownership shares of Southern Legacy, and which the Company classifies as an available-for-sale financial asset. At the October 1, 2012, date of initial recognition, the fair market value of this investment was \$3,986,000.

On October 22, 2013, the Company acquired an additional 208,333 common shares in Southern Legacy at a cost of \$52,000. As a result of this acquisition, the Company owned a total of 10,049,602 common shares in Southern Legacy, representing approximately 17% of the issued and outstanding ownership shares of Southern Legacy.

As at June 30, 2014, the aggregate fair market value of this investment was \$1,005,000 (\$904,000 – December 31, 2013), as indicated by the closing price of the shares as quoted by the TSX Venture Exchange (under the symbol, “LCY”), for which the Company recorded an impairment loss of \$301,000 during the three months ended March 31, 2014 (\$1,329,000 – six months ended June 30, 2013). The investment increased in value by \$402,000 in the three months ended June 30, 2014 (\$Nil – three months ended June 30, 2013) and this has been recorded to other comprehensive income. Southern Legacy’s common shares also trade on the BVL.

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.

7 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.

To acquire its initial 60% ownership of LGP, the Company entered into a mineral property identification and acquisition agreement with K-Rok, which acted as an agent for the Company. Additionally, on July 26, 2010 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 (the “LGP Purchase Agreement”), pursuant to which the Company assumed the rights and obligations of K-Rok.

Under the LGP Purchase Agreement, the vendors of LGP sold to the Company 60% of the issued and outstanding shares of LGP in July 2010, in consideration for the payment of a total of US\$10 million. Of the total consideration, US\$7 million was paid prior to December 31, 2011, with the remaining US \$3 million paid in January 2012.

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

- (a) Issue 4,000,000 common shares of the Company to K-Rok (which have been issued and recorded at a fair value of \$200,000).
- (b) Issue two additional common shares of the Company (the “K-Rok Contingent Shares”) for each ounce by which the gold resource for the six mining concessions that form part of Crucero are increased over the baseline resource of 808,695 ounces by an updated resource estimate based on all exploration completed on the six mining concessions to December 31, 2012. In March 2013, 3,221,127 K-Rok Contingent Shares were issued to K-Rok, and in December 2013, 477,786 of these shares were returned to the Company’s treasury as a result of a revision of the related resource estimate.

On the date of the Assignment and Assumption Agreement with K-Rok, 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. The analysis included assumptions based on management’s estimate at the time of acquisition of a) probable ounces at the time of the issue of the additional shares, b) the probable time of issuance of the additional shares, and c) the estimate of the Company’s estimated share price at the time of issuance of the additional shares. A fair value of \$598,000 was included as a cost of the initial acquisition of the Crucero mineral properties. The K-Rok Contingent shares were issued in 2013 and the initial fair value transferred from share-based contingent consideration to share capital.

The carrying value of Crucero as at June 30, 2014 is \$16,757,000 (\$16,673,000 – December 31, 2013). The change in carrying value of \$84,000 for the six months ended June 30, 2014 (\$535,000 – six months ended June 30, 2013) is due to changes in foreign currency translation rates between the Canadian Dollar and Peruvian Nuevo Sol which occurred from December 31, 2013 to June 30, 2014.

Invicta Gold Project (“Invicta”)

In connection with the Company’s acquisition of AAG, the Company acquired Invicta, located in the Lima Region of central Peru, which comprise forty-six 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”), that 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 (in May) thereafter. To June 30, 2014, US\$700,000 has been paid for the mining rights and advance royalties. In addition to the advance royalty payments, and only on the commencement of production, the Company will be required to pay Barrick on a quarterly basis an amount of US\$50,000, which is capped at a total of US\$800,000.

Pursuant to the terms of a separate option agreement reached with ABX, the Company is required to provide ABX with a copy of any completed Invicta Feasibility Study. Barrick has a 90-day period to review the study. If such a study demonstrates more than two million ounces of mineable gold-only reserves at Invicta, ABX has the option to exercise a back-in-right. Should ABX choose to exercise

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this back-in-right, they would be required to pay the Company 150% of all costs incurred at Invicta in exchange for 51% of the project. The most recent Invicta Feasibility Study was provided to ABX in early 2012 by AAG and does not demonstrate, under the Canadian Institute of Mining Metallurgy definition, two million ounces of mineable gold-only reserves at Invicta. In addition, Barrick has a 30 day calendar day right of first refusal (“ROFR”) in the event that the Company wishes to transfer part or all of its shares and mining rights of the properties acquired pursuant to the Barrick option agreement. No ROFR was applicable to the Company’s acquisition of AAG.

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 June 30, 2014 is \$10,634,000 (\$10,581,000 – December 31, 2013). The change in carrying value of \$53,000 for the six months ended June 30, 2014 (\$339,000 – six months ended June 30, 2013) is due to changes in foreign currency translation rates that occurred between the Canadian Dollar and Peruvian Nuevo Sol from December 31, 2013 to June 30, 2014.

Josnitoro Gold Project (“Josnitoro”)

On November 26, 2013, the Company announced that it had entered into a memorandum of understanding with Compañía Minera Ares S.A.C. and Minera del Suroeste S.A.C. (indirect subsidiaries of Hochschild Mining plc (“Hochschild”)) with regards to the execution of a definitive agreement (the “Josnitoro Agreement”) that will allow the Company to earn-in to a 65% interest on Josnitoro in Southern Peru. Josnitoro is an exploration stage gold and copper project in the Department of Apurimac which comprises nineteen concessions.

Pursuant to the Josnitoro Agreement, which was registered on June 18, 2014 with the Cusco Mining Registry, 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 within 2 years of the execution of a definitive agreement, so as to subsequently conduct a minimum 10,000 meter diamond drill program and complete a preliminary economic assessment (“PEA”) within a total 6-year period. In the event that the Company cannot receive community permission to commence drilling, the Company can abandon the option with no penalty.

Upon completing the PEA, the Company may exercise the option at which point a NEWCO would be formed, the mining concessions transferred, and the participating 65/35 joint venture established. Hochschild may buy back 30% of the joint venture (raising their interest to 65%) by paying three times the Company’s incurred expenses plus a US\$2,000,000 payment. If Hochschild elects to claw-back, they must notify the Company within 90 days of delivery of the PEA.

If Hochschild does not exercise its claw-back rights and retain its 35% joint venture interest, they may elect to convert this interest into a 5% net smelter return royalty (“NSR”). In that event, the Company may buy-down the NSR to 1.5% (reducing by 3.5%) by making a one-time payment of US\$10,500,000 in cash.

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Management projects that the costs of meeting the earn-in requirements will be approximately US\$300,000 per year for the first two years, US\$3,000,000 for drilling 10,000 meters and \$300,000 to prepare a PEA.

The carrying value of the Josnitoro Gold Project, for which no consideration has been paid, as at June 30, 2014 and December 31, 2013 is \$Nil. Related party transactions

8. RELATED PARTY TRANSACTIONS

Details of transactions between the Company and other related parties are disclosed below. See also Note 13.

(a) Related party expenditures

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 as below:

Nature of Transaction	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
<i>In thousands of dollars</i>	\$	\$	\$	\$
Shareholder and investor relations	30	30	60	80
Technical reports	–	–	–	3
	30	30	60	83

(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 June 30		Six months ended June 30	
	2014	2013	2014	2013
<i>In thousands of dollars</i>	\$	\$	\$	\$
Salaries and benefits	150	213	292	612
Share-based compensation	40	63	100	182
Total key management compensation	190	276	392	794

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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, 2014 and December 31, 2013, there were no amounts payable to related parties.

9 Equity

a) Common shares

Authorized: unlimited with no par value.

See also Note 13.

b) Share purchase warrants

	Weighted average exercise price \$	Number of share purchase warrants
Balance – beginning of period	2.22	7,279,167
Expired	2.25	(6,666,667)
Balance – end of period	1.87	612,500

The following table summarizes information about the share purchase warrants outstanding and exercisable at June 30, 2014:

Expiry date	Exercise price \$	Number of share purchase warrants
February 12, 2015	1.87	612,500

See also Note 13.

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

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- 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 six months ended June 30, 2014.

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

	Six months ended June 30			
	2014		2013	
	Number of share options	Weighted average exercise price \$	Number of share options	Weighted average exercise price \$
Options outstanding – beginning of period	8,439,350	0.57	6,348,475	0.86
Granted	–	–	1,265,000	0.44
Forfeited	(597,000)	0.55	(477,325)	0.85
Cancelled	–	–	(434,875)	1.93
Options expired	–	–	(4,900)	1.63
Options outstanding – end of period	7,842,350	0.57	6,696,375	0.72
Options exercisable – end of period	6,708,600	0.57	5,110,125	0.80

No options were exercised in 2013 or during the three and six months ended June 30, 2014.

No options were granted during the three and six months ended June 30, 2014. The weighted average fair value of the share options granted in the six months ended June 30, 2013 was estimated to be \$0.17 per option at the grant dates using the Black-Scholes option-pricing model and based on the following weighted average assumptions:

	Six months ended June 30	
	2014	2013
Weighted average market price (\$)	–	0.44
Weighted average exercise price (\$)	–	0.32
Dividend yield	–	–
Risk free interest rate (%)	–	1.08
Expected life (years)	–	2.7
Expected volatility (%)	–	101

Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

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Non-cash share-based compensation costs of \$122,000 have been recorded for the six months ended June 30, 2014 (\$329,000 – six months ended June 30, 2013), allocated as follows:

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
<i>In thousands of dollars</i>	\$	\$	\$	\$
Salaries and benefits	32	51	71	160
Project administration	17	23	37	61
Shareholder and investor relations	3	70	8	96
Camp and related	1	3	4	7
Consulting and other	1	2	2	5
Total share-based compensation	54	149	122	329

The following table summarizes information about share options outstanding and exercisable at June 30, 2014:

Year of Expiry	Range of exercise prices \$	Number of options outstanding	Outstanding		Number of options exercisable	Exercisable	
			Weighted average exercise price \$	Weighted average remaining contractual life (years)		Weighted average exercise price \$	Weighted average remaining contractual life (years)
2015	0.30 – 0.40	750,000	0.33	1.0	687,500	0.34	0.9
2015	0.50 – 0.75	2,300,000	0.54	1.2	2,237,500	0.54	1.2
2015	1.71 – 4.08	68,600	1.96	0.9	68,600	1.96	0.9
2016	0.50 – 1.21	1,091,000	1.10	2.2	1,091,000	1.10	2.2
2016	2.00 – 3.22	232,750	2.32	2.1	232,750	2.32	2.1
2017	0.45	1,175,000	0.45	3.4	1,175,000	0.45	3.4
2018	0.20 – 0.43	2,225,000	0.26	4.2	1,216,250	0.27	4.2
	0.20 – 4.08	7,842,350	0.57	2.5	6,708,600	0.62	2.3

Lupaka Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six months ended June 30, 2014 and 2013

(expressed in Canadian Dollars)

10 Segmented information

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

	Three months ended		Six months ended	
	June 30		June 30	
<i>In thousands of dollars</i>	2014	2013	2014	2013
	\$	\$	\$	\$
Loss				
Canada	362	1,039	1,143	2,860
Peru	1,003	1,734	1,584	3,393
	1,365	2,773	2,727	6,253

	June 30,	December 31,
	2014	2013
<i>In thousands of dollars</i>	\$	\$
Total assets		
Canada	2,442	4,882
Peru	28,209	28,224
	30,651	33,106

11 Supplemental cash flow information

Cash and cash equivalents comprise the following:

	June 30,	December 31,
	2014	2013
<i>In thousands of dollars</i>	\$	\$
Cash on hand and balances with banks	154	305
Cash equivalents	1,272	3,601
	1,426	3,906

At June 30, 2014, the Company's short-term investments are invested in premium investment savings accounts and guaranteed investment certificates of Canadian chartered banks, and are cashable at any time.

In 2013, the Company issued a net total of 2,743,341 common shares at a total initial fair value of \$598,000 to K-Rok (Note 7).

Lupaka Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six months ended June 30, 2014 and 2013

(expressed in Canadian Dollars)

12 Contingencies

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 June 30, 2014, no related loss provision has been made in these consolidated financial statements.

13 Equity issued subsequent to June 30, 2014

On August 7, 2014, Lupaka issued 8,050,000 units (the "Units") at a price of \$0.20 per Unit (the "Placement"), for gross proceeds of \$1,610,000. Each Unit consists of one common share in the capital of Lupaka (each, a "Common Share") and one common share purchase warrant (each, a "Warrant"). Each Warrant is exercisable into one Common Share at a price of \$0.30 for a period ending August 6, 2017.

As part of the Placement, certain directors and officers of the Company acquired a total of 1,050,000 Units.

The Warrants are subject to an acceleration clause and in the event that the closing price of Lupaka's common shares is greater than \$0.40 for a period of 20 consecutive trading days, Lupaka may accelerate the expiry date of the warrants by giving notice to the holders thereof through the issuance of a press release or written notice. In such case the Warrants will expire on the 30th day after the date on which such notice is given.

Finders' fees payable in connection with the Placement consisted of a total of \$64,500 in cash and 322,500 finders' warrants.

The Units and underlying securities and finders' warrants are subject to a four month hold period expiring on December 8, 2014.