

Lupaka Gold Corp.

Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2013 and 2012
(expressed in Canadian Dollars)

(Unaudited)

Lupaka Gold Corp.

Condensed Consolidated Interim Statements of Financial Position (Unaudited)

As at September 30, 2013 and December 31, 2012

(Expressed in thousands of Canadian Dollars)

	September 30, 2013 \$	December 31, 2012 \$
Assets		
Current assets		
Cash and cash equivalents	5,260	10,716
Trade and other receivables	213	432
Prepaid expenses and deposits	193	152
	<u>5,666</u>	<u>11,300</u>
Non-current assets		
Investment in Southern Legacy Minerals Inc. (Note 5)	1,968	2,510
Equipment (Note 4)	718	1,003
Mineral properties (Note 6)	26,505	27,967
	<u>29,191</u>	<u>31,480</u>
Total assets	<u>34,857</u>	<u>42,780</u>
Liabilities		
Current liabilities		
Trade and other payables	1,154	1,019
Provision for reclamation	360	544
	<u>1,514</u>	<u>1,563</u>
Equity		
Common shares (Note 8 (a))	56,380	55,782
Share purchase warrants (Note 8 (b))	802	802
Share options (Note 8 (c))	2,536	2,107
Share-based contingent consideration (Note 6)	–	598
Deficit	(27,148)	(19,539)
Accumulated other comprehensive income	773	1,467
	<u>33,343</u>	<u>41,217</u>
Total liabilities and equity	<u>34,857</u>	<u>42,780</u>

Commitments and contingencies (Notes 6 and 11)

Subsequent events (Notes 5 and 8)

Approved and authorized for issue by the Board on November 7, 2013.

“signed” John Graf

Director

“signed” Eric Edwards

Director

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

Lupaka Gold Corp.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (Unaudited) For the three and nine months ended September 30, 2013 and 2012

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

	Three months ended September 30,		Nine months ended September 30,	
	2013 \$	2012 \$	2013 \$	2012 \$
Operating expenses				
Exploration				
Project administration	438	293	2,100	955
Camp, community relations and related costs	279	446	1,709	1,009
Technical reports, assays and related costs	27	168	249	267
Transportation	4	48	45	140
Reclamation	–	91	27	124
Consulting and professional fees	2	25	12	118
Drilling	–	553	–	669
	<u>750</u>	<u>1,624</u>	<u>4,142</u>	<u>3,282</u>
General and administration				
Salaries and benefits	210	185	856	793
Shareholder and investor relations	216	109	840	458
Professional and regulatory fees	91	28	300	198
Office and general	48	51	193	161
Travel	12	4	31	24
Corporate development	–	11	–	75
	<u>577</u>	<u>388</u>	<u>2,220</u>	<u>1,709</u>
Operating loss	<u>1,327</u>	<u>2,012</u>	<u>6,362</u>	<u>4,991</u>
Impairment loss on available-for-sale financial asset (Note 5)	–	–	1,329	–
Finance expense – accretion	–	–	–	22
Finance income	(6)	(4)	(52)	(24)
Foreign exchange loss (gain)	35	7	(30)	29
	<u>1,356</u>	<u>2,015</u>	<u>7,609</u>	<u>5,018</u>
Loss for the period	<u>1,356</u>	<u>2,015</u>	<u>7,609</u>	<u>5,018</u>
Loss attributable to:				
Equity owners of the parent	1,356	2,015	7,609	4,990
Non-controlling interest	–	–	–	28
	<u>1,356</u>	<u>2,015</u>	<u>7,609</u>	<u>5,018</u>
Weighted average number of shares outstanding, basic and diluted	<u>84,972,896</u>	<u>44,762,451</u>	<u>84,017,177</u>	<u>44,358,254</u>
Loss per share, basic and diluted	<u>\$0.02</u>	<u>\$0.05</u>	<u>\$0.09</u>	<u>\$0.11</u>
Consolidated statements of comprehensive loss				
Loss for the period	1,356	2,015	7,609	5,018
Currency translation adjustment on foreign operations	588	602	1,481	204
Increase in value of investment	(787)	–	(787)	–
Comprehensive loss	<u>1,157</u>	<u>2,617</u>	<u>8,303</u>	<u>5,222</u>
Comprehensive loss attributable to:				
Equity owners of the parent	1,157	2,617	8,303	5,179
Non-controlling interest	–	–	–	43
	<u>–</u>	<u>–</u>	<u>–</u>	<u>43</u>

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

Lupaka Gold Corp.

Condensed Consolidated Interim Statements of Cash Flows (Unaudited) For the three and nine months ended September 30, 2013 and 2012

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

	Three months ended September 30,		Nine months ended September 30,	
	2013 \$	2012 \$	2013 \$	2012 \$
Cash flows from (used in) operating activities				
Loss for the period	(1,356)	(2,015)	(7,609)	(5,018)
Adjustment for items not affecting cash:				
Foreign exchange loss (gain) on amount payable to non-controlling interest	–	–	–	7
Depreciation	106	33	269	74
Impairment loss on available-for-sale financial asset	–	–	1,329	–
Share-based compensation	100	130	429	572
Write-down of equipment	(15)	(1)	90	25
Gain on sale of equipment	(7)	–	(7)	–
Finance expense (income), net	–	(4)	–	(1)
	(1,172)	(1,857)	(5,499)	(4,341)
Changes in non-cash working capital				
Trade and other receivables	5	(45)	219	47
Prepaid expenses and deposits	83	7	(42)	(20)
Trade and other payables	102	474	135	555
Due to related parties	–	–	–	(288)
Provision for reclamation	(142)	–	(183)	–
Finance income received	–	4	–	24
Net cash used in operating activities	(1,124)	(1,417)	(5,370)	(4,023)
Cash flows from (used in) investing activities				
Final payment for purchase of initial 60% interest in Lupaka Gold Peru S.A.C. (“LGP”) (Note 3)	–	–	–	(3,057)
Deferred transaction costs	–	(264)	–	(264)
Sale of equipment	10	–	10	–
Purchase of equipment	(1)	(10)	(76)	(209)
Net cash from (used in) investing activities	9	(274)	(66)	(3,530)
Cash flows (used in) from financing activities				
Purchase of non-controlling interest of LGP (Note 3)	–	–	–	(4,076)
Proceeds from exercise of options	–	–	–	50
Net cash from (used in) financing activities	–	–	–	(4,026)
Net increase (decrease) in cash and cash equivalents	(1,115)	(1,691)	(5,436)	(11,579)
Cash and cash equivalents - beginning of period	6,376	3,628	10,716	13,477
Effect of foreign exchange rate changes on cash and cash equivalents	(1)	(76)	(20)	(37)
Cash and cash equivalents - end of period	5,260	1,861	5,260	1,861

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

Lupaka Gold Corp.

Condensed Consolidated Interim Statements of Changes in Equity (Unaudited) For the nine months ended September 30, 2013 and 2012

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

	Nine months ended September 30, 2013		Nine months ended September 30, 2012	
	Number	\$	Number	\$
Common shares (Note 8 (a))				
Balance – beginning of period	81,751,769	55,782	39,462,451	24,603
Shares issued (Note 7 (c))	3,221,127	598	–	–
Issued for remaining interest in LGP	–	–	5,200,000	5,200
Exercise of options	–	–	100,000	50
Fair value of options exercised	–	–	–	36
Balance – end of period	<u>84,972,896</u>	<u>56,380</u>	<u>44,762,451</u>	<u>29,889</u>
Share purchase warrants (Note 8 (b))				
Balance – beginning and end of period		802		802
Share options (Note 8 (c))				
Balance – beginning of period		2,107		1,289
Share-based payment expense		429		573
Fair value of options exercised		–		(36)
Balance – end of period		<u>2,536</u>		<u>1,826</u>
Share-based contingent consideration (Note 8 (a))				
Balance – beginning of period		598		598
Shares issued (Note 7 (c))		(598)		–
Balance – end of period		<u>–</u>		<u>598</u>
Deficit				
Balance – beginning of period		(19,539)		(6,202)
Purchase of non-controlling interest (Note 3)		–		(3,769)
Loss for the period – attributable to the shareholders of the Company		(7,609)		(4,990)
Balance – end of period		<u>(27,148)</u>		<u>(14,961)</u>
Accumulated other comprehensive income				
Balance – beginning of period		1,467		262
Currency translation adjustment on foreign operations		(1,481)		(189)
Increase in value of investment		787		–
Balance – end of period		<u>773</u>		<u>73</u>
Non-controlling interest				
Balance – beginning of period		–		5,758
Comprehensive loss for the period – attributable to the non-controlling interest		–		(43)
Contributions from non-controlling shareholders		–		–
Acquisition of non-controlling interest by the Company		–		(5,715)
Balance – end of period		<u>–</u>		<u>–</u>
		<u>33,343</u>		<u>18,227</u>

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

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and nine months ended September 30, 2013 and 2012

(expressed in Canadian Dollars)

1 Nature of operations

Lupaka Gold Corp. (“Lupaka”) was incorporated in Canada on November 3, 2000, with limited liability 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. (“Andean American”) and its subsidiaries, as well as a 17% ownership interest in Southern Legacy Minerals Inc. (“Southern Legacy”) – see Notes 3 and 5.

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. Lupaka’s share purchase warrants trade on the TSX under the symbol LPK.WT.

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

2 Basis of preparation

These interim consolidated financial statements have been prepared on a basis consistent with the accounting policies expected to be applied for the year ending December 31, 2013 and follow the same accounting policies and methods of application as the 2012 annual consolidated financial statements, except that the Company has adopted the following new or amended International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) effective January 1, 2013:

- IFRS 10, Consolidated financial statements,
- IFRS 11, Joint arrangements,
- IFRS 12, Disclosures of interests in other entities,
- IAS 1, Presentation of items of other comprehensive income, and
- IFRS 13, Fair Value Measurement and disclosure requirements

These new standards did not affect the Company’s financial results.

In July 2013, the International Accounting Standards Board (“IASB”) tentatively decided to defer the mandatory effective date of IFRS 9, Financial Instruments. The IASB agreed that the mandatory effective date should no longer be annual periods beginning on or after January 1, 2015 but rather be left open pending the finalization of the impairment, classification and measurement requirements. The Company has not yet assessed the impact of this standard.

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) For the three and nine months ended September 30, 2013 and 2012

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2.1 Statement of compliance

These consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and do not include all of the information required for full annual financial statements prepared using IFRS. These interim financial statements should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2012.

These consolidated financial statements were approved by the Company's Board of Directors on November 7, 2013.

2.2 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:

- Andean American, a Canadian company (inactive)
- 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)

Andean American, IMC, AES and Greenhydro were acquired on October 1, 2012.

3 Acquisitions

Purchase of remaining interest in LGP

Effective January 19, 2012, the Company acquired the remaining 40% interest in LGP. As a result, the Company owns 100% of the Crucero Gold Project ("Crucero"). The Company acquired the remaining 40% interest in LGP from the non-controlling shareholders of LGP for a total purchase price of \$4,076,000 (US \$4,000,000) in cash and 5,200,000 common shares of the Company (with a fair value of \$1.00 per share). As part of the closing of the acquisition, the Company made an early payment of the final \$3,057,000 (US \$3,000,000) that was required to be paid by July 15, 2012 to complete the Company's acquisition of its initial 60% interest in LGP.

For accounting purposes, the initial acquisition of 60% of LGP was considered a purchase of assets. The Company's purchase of the remaining 40% of the shares of LGP has been accounted for as an equity transaction with the excess in fair value of consideration, less equity of the non-controlling interest, allocated to deficit.

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The following is a summary of the LGP-related purchase price components, and the allocation of equity acquired on January 19, 2012:

	Purchase price (\$000's)
Cash consideration paid	4,076
Fair value attributed to early payment	208
Fair value of 5,200,000 common shares issued	5,200
Non-controlling interest as at January 19, 2012	(5,715)
Charged to deficit	3,769

Acquisition of Andean American

Effective October 1, 2012, the Company completed a Plan of Arrangement with Andean American (the "Closing"), whereby each Andean American common share was exchanged for 0.245 common shares of Lupaka. The acquisition of Andean American has been accounted for as a purchase of assets.

All Andean American share options outstanding at the Closing ("Andean American Options") were deemed to be exchanged for share options of Lupaka, issued under the Lupaka Stock Option Plan, on the basis of 0.245 of a Lupaka common share for one Andean American common share, at an exercise price per Lupaka common share determined by dividing the exercise price per Andean American common share subject to such Andean American Option by 0.245.

All Andean American share purchase warrants outstanding at the Closing ("Andean American Warrants") were maintained by Lupaka, in accordance with the terms and conditions of the original Andean American Warrants, in a number determined on the basis of 0.245 of a Lupaka common share for one Andean American common share, at an exercise price per Lupaka common share determined by dividing the exercise price per Andean American common share subject to such Andean American Warrant by 0.245.

The purchase price, totalling \$26.7 million reflects the following:

- i) The fair value of the Lupaka shares issued based on the issuance of 36,989,318 common shares of Lupaka at Cdn\$0.70 per share, which represents the market price of the common shares on the date of issuance; and
- ii) Lupaka's transaction costs totalling \$770,000

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The following is a summary of the purchase price components, and the allocation of the net assets acquired on October 1, 2012:

	Purchase price (\$000's)
36,989,318 common shares of Lupaka	25,893
Transaction costs	770
Purchase price	26,663
Net assets acquired:	(\$000's)
Cash and cash equivalents	13,502
Other current assets	182
Investment in Southern Legacy Minerals Inc.	3,986
Plant & equipment	583
Current liabilities	(1,842)
Mineral properties	10,252
Net assets acquired	26,663

The fair value of the investment in Southern Legacy was based on the publicly-traded market price as at the Company's date of acquisition of Andean American.

4 Equipment

	Vehicles and field equipment (\$000's)	Office equipment and furniture (\$000's)	Total (\$000's)
Cost			
Balance as at December 31, 2012	1,018	152	1,170
Balance as at September 30, 2013	956	196	1,152
Accumulated depreciation			
Balance as at December 31, 2012	124	43	167
Balance as at September 30, 2013	313	121	434
Carrying amounts			
Balance as at December 31, 2012	894	109	1,003
Balance as at September 30, 2013	643	75	718

During the nine months ended September 30, 2013, \$258,000 (2012 – \$68,000) of depreciation and a write-down of \$90,000 (2012 – \$25,000) in the carrying value of vehicles and field equipment was included in project administration and \$11,000 (2012 – \$4,000) of depreciation was included in office and general.

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(expressed in Canadian Dollars)

5 Investment in Southern Legacy Minerals Inc.

As at September 30, 2013, the aggregate fair market value of this investment was \$1,968,000 (\$2,510,000 – December 31, 2012), as indicated by the closing price of the shares as quoted by the TSX Venture Exchange, for which the Company recorded an impairment loss of \$1,329,000 for the six months ended June 30, 2013. The investment has increased in value by \$787,000 in the three months ended September 30, 2013 and this has been recorded to other comprehensive income. Southern Legacy's common shares also trade on the BVL.

On October 22, 2013, the Company acquired an additional 208,333 common shares in Southern Legacy at a cost of \$50,000. As a result of this acquisition, the Company owns 10,049,602 common shares in Southern Legacy, representing approximately 17% of the issued and outstanding ownership shares of Southern Legacy, which the Company classifies as an available-for-sale financial asset.

6 Mineral properties

The Company's mineral properties are comprised of nine concessions covering approximately 5,500 hectares that are owned by LGP and which make up the Crucero Gold Project located in southeast Peru, and forty-eight concession and petition claims covering approximately 36,000 hectares that are owned by Invicta and which make up the Invicta Gold Project located in northwest Peru.

Crucero Gold Project ("Crucero")

The Crucero concessions are comprised of 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).

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 \$10,000,000. Of the total consideration, US \$7,000,000 was paid prior to December 31, 2011, with the remaining US \$3,000,000 payable on July 15, 2012.

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

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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 (for which 3,221,127 common shares were issued to K-Rok on March 22, 2013; see also Note 7).

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.

As part of the closing of the Company's acquisition of the remaining 40% interest in LGP (see Note 3), the Company made an early payment of the final \$3,057,000 (US \$3,000,000) that was otherwise required to be paid by July 15, 2012 in order to complete the Company's acquisition of its existing 60% interest in LGP. The carrying value of this final payment was \$2,819,000 on December 31, 2011, as the original carrying value of this purchase obligation was calculated by using a discounted cash flow model, which uses assumptions concerning the timing of estimated future cash flows and credit-adjusted discount rates.

The carrying value of Crucero as at September 30, 2013 is \$16,219,000 (\$17,114,000 – December 31, 2012). The decrease in carrying value of \$895,000 for the nine months ended September 30, 2013 (three months ended September 30, 2013 – \$360,000 decrease) is due to changes in foreign currency translation rates between the Canadian Dollar and Peruvian Nuevo Sol which occurred from December 31, 2012 to September 30, 2013.

Invicta Gold Project (“Invicta”)

In connection with the Company's acquisition of Andean American (Note 3), the Company acquired Invicta, located in the Lima Region of central Peru. Invicta was originally acquired by Andean American 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 a 1% Net Smelter Royalty (“NSR”) capped at US\$1 million. 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 September 30, 2013, US\$700,000 has been paid in 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 Barrick Gold Corporation (“ABX”), the Company is required to provide ABX with a copy of any completed Invicta Feasibility Study, and ABX's subsidiary, 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, through its subsidiary Barrick, has the option to exercise a back-in-right. Should ABX choose to exercise 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

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early 2012 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 Andean American.

The carrying value of the Invicta mineral property as at September 30, 2013 is \$10,286,000 (\$10,853,000 – December 31, 2012). The decrease in carrying value of \$567,000 for the nine months ended September 30, 2013 (three months ended September 30, 2013 – \$228,000 decrease) is due to changes in foreign currency translation rates that occurred between the Canadian Dollar and Peruvian Nuevo Sol from December 31, 2012 to September 30, 2013.

7 Related party transactions

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

(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 (“S”) and a director (“D”) of the Company as below:

Nature of Transaction	Related Party	Nine months ended September 30	
		2013 (\$000’s)	2012 (\$000’s)
Project administration	S, D	53	50
Shareholder and investor relations	S	110	90
Salaries and benefits	S, D	27	25
Technical reports, assays and related costs	S	4	6
Total related party expenditures		194	171

(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:

	Nine months ended September 30	
	2013 (\$000’s)	2012 (\$000’s)
Salaries, fees and benefits	765	643
Share-based compensation	227	268
Total key management compensation	992	911

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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.

Pursuant to the terms of the Assignment and Assumption Agreement, Lupaka issued 3,221,127 common shares to K-Rok on March 22, 2013, subject to a four month hold period (Note 6).

As at September 30, 2013 and December 31, 2012, there were no amounts payable to related parties.

8 Equity

a) Common shares

Authorized: unlimited with no par value.

3,221,127 common shares were issued to K-Rok on March 22, 2013 (Notes 6 and 7).

b) Share purchase warrants

The following table summarizes information about the share purchase warrants outstanding and exercisable at September 30, 2013:

Expiry date	Exercise price \$	Number of share purchase warrants
June 28, 2014	2.25	6,666,667
February 12, 2015	1.87	612,500
	2.22	7,279,167

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. 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.

Under the Option Plan, 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 frequent option terms being two and five years. Vesting terms are determined for each grant by the Company's Board of Directors. The options granted in the nine months ended September 30, 2013 vest in equal amounts beginning on or up to nine months from the date of grant and ending up to twenty-four months from the date of grant.

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) For the three and nine months ended September 30, 2013 and 2012

(expressed in Canadian Dollars)

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

	Number of options	Weighted average exercise price \$
Outstanding, December 31, 2012	6,348,475	0.86
Granted	1,390,000	0.42
Forfeited	(1,139,450)	0.93
Cancelled	(434,875)	1.93
Expired	(4,900)	1.63
Outstanding, September 30, 2013	6,159,250	0.68
Exercisable, September 30, 2013	4,754,250	0.75

The weighted average fair value of all share options granted in the nine months ended September 30, 2013 was estimated to be \$0.17 (2012 – \$1.01) per option at the grant date using the Black-Scholes option-pricing model and based on the following assumptions:

	Nine months ended September 30	
	2013	2012
Weighted average exercise price (\$)	0.42	1.32
Weighted average market price (\$)	0.31	1.32
Dividend yield	–	–
Risk free interest rate (%)	1.10	1.31
Expected life (years)	2.8	3.9
Expected volatility (%)	101	121

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.

The volatility was calculated using historical volatility of comparable companies as an expectation of the Company's future volatility.

Non-cash share-based compensation costs of \$429,000 have been recorded for the nine months ended September 30, 2013 (2012 – \$572,000), and were allocated as follows:

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
Salaries and benefits	72	56	232	253
Project administration	20	53	81	223
Shareholder and investor relations	6	19	101	86
Camp and related	2	–	9	–
Consulting and other	1	2	6	10
Total share-based compensation	101	130	429	572

Lupaka Gold Corp.

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(expressed in Canadian Dollars)

The following table summarizes information about share options outstanding and exercisable at September 30, 2013:

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)
2015	1.71 – 4.08	73,500	2.05	1.7	73,500	2.05	1.7
2015	0.30 – 0.75	2,750,000	0.50	1.9	2,375,000	0.50	2.0
2016	2.00 – 3.22	232,750	2.32	2.8	232,750	2.32	2.8
2016	0.50 – 1.21	1,188,000	1.11	3.0	1,188,000	1.11	3.0
2017	0.45	1,275,000	0.45	4.1	662,500	0.45	4.1
2018	0.20 – 0.43	640,000	0.34	4.9	222,500	0.36	4.5
	0.20 – 4.08	6,159,250	0.68	2.9	4,754,250	0.75	2.7

On October 1, 2013, the Company granted options to purchase 250,000 common shares of the Company at an exercise price of \$0.30 per share and 250,000 common shares of the Company at an exercise price of \$0.60 per share, subject to vesting provisions established by the Company's Board of Directors.

9 Segmented information

The Company operates in one segment, being mineral exploration and development. Losses for the three and nine months ended September 30, 2013 and 2012 and total assets by geographic location are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2013 (\$000's)	2012 (\$000's)	2013 (\$000's)	2012 (\$000's)
Loss				
Canada	607	437	3,467	1,758
Peru	749	1,578	4,142	3,260
	1,356	2,015	7,609	5,018

	September 30, 2013 (\$000's)	December 31, 2012 (\$000's)
Total assets		
Canada	7,108	13,414
Peru	27,749	29,366
	34,857	42,780

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and nine months ended September 30, 2013 and 2012

(expressed in Canadian Dollars)

10 Supplemental cash flow information

Cash and cash equivalents comprise the following:

	September 30, 2013	December 31, 2012
	(\$000's)	(\$000's)
Cash on hand and balances with banks	4,527	3,220
Short-term investments	733	7,496
	<u>5,260</u>	<u>10,716</u>

At September 30, 2013, the Company's short-term investments are invested in premium investment savings accounts of a major Canadian chartered bank and GIC's of major Canadian chartered banks.

11 Contingencies

SUNAT, the Peruvian tax authority, completed its audit of the tax filings of a former Andean American 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, 2013, no loss provision has been made in these consolidated financial statements.