

Lupaka Gold Corp.

Consolidated Interim Financial Statements
For the three months ended March 31, 2012 and 2011
(expressed in Canadian Dollars)

(Unaudited)

Lupaka Gold Corp.

Consolidated Interim Statements of Financial Position (Unaudited)

As at March 31, 2012 and December 31, 2011

(expressed in Canadian Dollars)

	March 31, 2012	December 31, 2011
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (Note 10)	5,014,968	13,477,024
Trade and other receivables	37,435	163,769
Prepaid expenses and deposits	91,544	81,973
	<u>5,143,947</u>	<u>13,722,766</u>
Non-current assets		
Equipment (Note 5)	329,068	266,417
Mineral properties (Note 6)	16,363,804	16,504,191
	<u>21,836,819</u>	<u>30,493,374</u>
Liabilities		
Current liabilities		
Trade and other payables	325,871	275,700
Due to related parties (Note 7(c))	30,625	222,248
Due to non-controlling shareholders (Note 6)	–	2,819,016
	<u>356,496</u>	<u>3,316,964</u>
Non-current liabilities		
Due to related parties (Note 7(c))	–	66,105
	<u>356,496</u>	<u>3,383,069</u>
Equity		
Common shares (Note 8(a))	29,846,103	24,602,786
Share purchase warrants (Note 8(c))	801,809	801,809
Share options (Note 8(d))	1,518,904	1,289,511
Share-based contingent consideration (Note 6)	598,045	598,045
Deficit	(11,408,988)	(6,202,525)
Accumulated other comprehensive income	124,450	262,442
	<u>21,480,323</u>	<u>21,352,068</u>
Total equity attributable to equity owners of the parent		21,352,068
Non-controlling interest	–	5,758,237
	<u>21,480,323</u>	<u>27,110,305</u>
Total liabilities and equity	<u>21,836,819</u>	<u>30,493,374</u>
Commitments and contingencies (Notes 6 and 11)		

Approved and authorized for issue by the Board on May 10, 2012.

“signed” John Graf

Director

“signed” Eric Edwards

Director

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

Lupaka Gold Corp.

Consolidated Statements of Loss and Comprehensive Loss (Unaudited)

For the three months ended March 31, 2012 and 2011

(expressed in Canadian Dollars)

	Three months ended March 31	
	2012	2011
	\$	\$
Operating expenses		
Exploration		
Project administration	321,298	239,141
Camp and related costs	199,668	18,559
Consulting and other	50,278	4,012
Transportation	44,523	31,357
Technical reports	22,500	29,926
Assays	9,846	–
Safety	7,502	–
Drilling	6,801	100,002
Community relations	6,536	–
	<u>668,952</u>	<u>422,997</u>
General and administration		
Salaries and benefits	395,488	346,355
Shareholder and investor relations	175,401	112,519
Professional fees	76,087	112,953
Office and general	54,393	32,795
Regulatory	52,076	–
Travel	10,055	30,812
	<u>763,500</u>	<u>635,434</u>
Operating loss	<u>1,432,452</u>	<u>1,058,431</u>
Finance expense – accretion	22,381	213,159
Finance income – interest	(11,825)	–
Foreign exchange loss (gain)	22,773	(123,800)
	<u>1,465,781</u>	<u>1,147,790</u>
Loss for the period	<u>1,465,781</u>	<u>1,147,790</u>
Loss attributable to:		
Equity owners of the parent	1,437,709	1,041,701
Non-controlling interest	28,072	106,089
	<u>1,465,781</u>	<u>1,147,790</u>
Other comprehensive loss (income)	152,855	(1,351)
	<u>1,618,636</u>	<u>1,146,439</u>
Comprehensive loss	<u>1,618,636</u>	<u>1,146,439</u>
Comprehensive loss attributable to:		
Equity owners of the parent	1,575,701	1,040,890
Non-controlling interest	42,935	105,549
	<u>1,575,701</u>	<u>1,040,890</u>
Weighted average number of shares outstanding, basic and diluted	<u>43,591,022</u>	<u>24,898,933</u>
Loss per share		
Basic and diluted	<u>\$0.03</u>	<u>\$0.04</u>

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

Lupaka Gold Corp.

Consolidated Statements of Cash Flows (Unaudited) For the three months ended March 31, 2012 and 2011

(expressed in Canadian Dollars)

	Three months ended March 31	
	2012	2011
	\$	\$
Cash flows from (used in) operating activities		
Loss for the period	(1,465,781)	(1,147,790)
Adjustment for items not affecting cash:		
Foreign exchange loss (gain) on amount payable to non-controlling interest	6,848	(131,147)
Depreciation	19,905	1,643
Share-based compensation	247,710	344,618
Finance expense, net	10,556	214,011
	(1,180,762)	(718,665)
Changes in non-cash working capital		
Trade and other receivables	126,334	(67,205)
Prepaid expenses and deposits	(9,572)	(11,978)
Trade and other payables	50,171	37,856
Due to related parties	(257,728)	(38,486)
Finance income received	11,825	–
	(1,259,732)	(798,478)
Net cash used in operating activities		
Cash flows used in investing activities		
Final payment for purchase of initial 60% interest in Minera Pacacorral S.A.C. (“MP”)	(3,056,700)	–
Purchase of 40% non-controlling interest of MP	(4,075,600)	–
Purchase of equipment	(82,555)	(21,216)
	(7,214,855)	(21,216)
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from issuance of common shares	25,000	–
Issue of special warrants	–	1,852,500
	25,000	1,852,500
Net cash from financing activities		
Net increase (decrease) in cash and cash equivalents	(8,449,587)	1,032,806
Cash and cash equivalents - beginning of period	13,477,024	140,431
Effect of foreign exchange rate changes on cash and cash equivalents	(12,469)	1,352
Cash and cash equivalents - end of period	5,014,968	1,174,589

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

Lupaka Gold Corp.

Consolidated Statements of Changes in Equity (Unaudited) For the three months ended March 31, 2012 and 2011

(expressed in Canadian Dollars)

	Three months ended March 31			
	2012		2011	
	Number	\$	Number	\$
Common shares (Note 8(a))				
Balance – beginning of period	39,462,451	24,602,786	8,051,000	253,051
Issued for property	5,200,000	5,200,000	–	–
Exercise of options	50,000	25,000	–	–
Fair value of options exercised	–	18,317	–	–
Balance – end of period	<u>44,712,451</u>	<u>29,846,103</u>	<u>8,051,000</u>	<u>253,051</u>
Share purchase warrants (Note 8(c))				
Balance – Broker and IPO warrants, beginning and end of period	<u>7,466,667</u>	<u>801,809</u>	–	–
Special warrants				
Balance – beginning of period	–	–	15,610,000	4,568,600
Issued for cash	–	–	1,852,500	1,852,500
Issued for cash (received in 2010)	–	–	317,000	317,000
Balance – end of period	<u>–</u>	<u>–</u>	<u>17,779,500</u>	<u>6,738,100</u>
Share options (Note 8(d))				
Balance – beginning of period		1,289,511		317,525
Share-based payment expense		247,710		344,618
Fair value of options exercised		(18,317)		–
Balance – end of period		<u>1,518,904</u>		<u>662,143</u>
Share-based contingent consideration (Note 6)				
Balance – beginning and end of period		<u>598,045</u>		<u>598,045</u>
Deficit				
Balance – beginning of period		(6,202,525)		(1,643,852)
Purchase of non-controlling interest (Note 4)		(3,768,754)		–
Loss for the period – attributable to the shareholders of the Company		(1,437,709)		(1,041,701)
Balance – end of period		<u>(11,408,988)</u>		<u>(2,685,553)</u>
Accumulated other comprehensive income				
Balance – beginning of period		262,442		6,785
Other comprehensive (loss) income for the period		(137,992)		812
Balance – end of period		<u>124,450</u>		<u>7,597</u>
Non-controlling interest				
Balance – beginning of period		5,758,237		6,115,487
Comprehensive loss for the period attributable to the non-controlling interest		(42,935)		(105,549)
Acquisition of non-controlling interest by the Company		(5,715,302)		–
Balance – end of period		<u>–</u>		<u>6,009,938</u>
		<u>21,480,323</u>		<u>11,583,321</u>

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

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Notes to the Consolidated Interim Financial Statements (Unaudited)

Three months ended March 31, 2012

(expressed in Canadian Dollars)

1 Nature of operations

Lupaka Gold Corp. (“Lupaka”) is incorporated in Canada 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 its wholly-owned subsidiary, Minera Pacacorral S.A.C. (“MP”). In July 2010, Lupaka acquired 60% of MP’s shares and in January 2012, Lupaka acquired the remaining 40% interest - see Note 4.

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.

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

2 Basis of preparation

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

2.1 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

2.2 Statement of compliance

The Company adopted International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), effective January 1, 2010. These consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, and do not include all of the information required for full annual financial statements prepared using IFRS.

These consolidated financial statements were approved by the Company’s Board of Directors on May 10, 2012.

2.3 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2.4 Basis of consolidation

These financial statements consolidate the financial statements of Lupaka and any subsidiaries that Lupaka controls. Control is achieved where Lupaka has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of

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subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and comprehensive income 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, income, comprehensive income and expenses are eliminated on consolidation, where appropriate.

2.5 Non-controlling interest

Non-controlling interest represents the equity interest in MP owned by the non-controlling shareholders of MP. During the quarter ended March 31, 2012, Lupaka purchased the remaining 40% interest in MP held by the non-controlling shareholders – see Note 4. The share of net assets of subsidiaries attributable to non-controlling interest is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

2.6 Significant accounting estimates, assumptions and judgements

In preparing these 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. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are the:

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

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(expressed in Canadian Dollars)

2.7 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

3 Significant accounting policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at December 31, 2011. The accompanying unaudited consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2011.

New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, including IAS 1 *Presentation of Financial Statements*, IAS 19 *Employee Benefits*, IAS 27 *Separate Financial Statements*, IAS 28 *Investments in Associates and Joint Ventures*, IFRS 9 *Financial Instruments*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interest of Other Entities*, and IFRS 13 *Fair Value Measurement* and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Company, except for IFRS 9 *Financial Instruments* ("IFRS 9"), which becomes mandatory for the Company's 2015 consolidated financial statements and could change the classification and measurement of financial assets. The extent of the effects of IFRS 9 on the consolidated financial statements have not been determined.

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4 Purchase of remaining interest in MP

On January 19, 2012, the Company completed the acquisition of the remaining 40% interest in MP and as a result, the Company now owns 100% of the Crucero Gold Project (“Crucero”). The Company acquired the remaining 40% interest in MP from the non-controlling shareholders of MP for a total purchase price of \$4,075,600 (US \$4,000,000) in cash and 5,200,000 million common shares of the Company (with a fair value of \$1.00 per share – Note 8 (a)). As part of the closing of the acquisition, the Company made an early payment of the final \$3,056,700 (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 MP.

For accounting purposes, the acquisition of MP is considered a purchase of assets. The Company's purchases of the shares of MP have 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.

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

	Purchase price
	\$
Cash consideration paid	4,075,600
Fair value attributed to early payment	208,456
Fair value of 5,200,000 common shares issued	5,200,000
	9,484,056
	Equity acquired
	\$
Deficit	3,768,754
Non-controlling interest as at January 19, 2012	5,715,302
	9,484,056

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(expressed in Canadian Dollars)

5 Equipment

	Vehicles and field equipment \$	Office equipment and furniture \$	Total \$
Cost			
Balance as at December 31, 2011	152,224	153,191	305,415
Additions	59,387	23,168	82,555
Balance as at March 31, 2012	211,611	176,359	387,970
Accumulated depreciation			
Balance as at December 31, 2011	27,921	11,077	38,998
Depreciation	11,568	8,336	19,904
Balance as at March 31, 2012	39,489	19,413	58,902
Carrying amounts			
Balance as at December 31, 2011	124,303	142,114	266,417
Balance as at March 31, 2012	172,122	156,946	329,068

During the three months ended March 31, 2012, \$17,937 (2011 – \$1,002) of depreciation was included in project administration and \$1,967 (2011 – \$641) of depreciation was included in office and general.

6 Mineral properties

The Company's mineral properties are comprised of nine concessions and petition claims covering 5,500 hectares that are owned by MP and which make up Crucero, located in the Carabaya Province of southeast Peru.

The Crucero concessions are comprised of: three 100%-owned mining concessions (which are not subject to any royalty interest); 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); and three petition-stage claims for mining concessions that are in process (which are not subject to any royalty interest).

To acquire its initial 60% ownership of MP, the Company entered into a mineral property identification and acquisition agreement with K-Rok, which acted as an agent for the Company. Additionally, the Company entered into an Assignment and Assumption Agreement with K-Rok, as assignee of K-Rok's interests in the Minera Pacacorral Purchase Agreement (the "MP Purchase Agreement"), pursuant to which the Company assumed the rights and obligations of K-Rok.

Under the MP Purchase Agreement, the vendors of MP sold to the Company 60% of the issued and outstanding shares of MP 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.

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Three months ended March 31, 2012

(expressed in Canadian Dollars)

The consideration payable to K-Rok pursuant to the Assignment and Assumption Agreement for the Crucero Gold Project consists 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 either: (A) the first to occur of (i) any resource estimate related to completion of a pre-feasibility study, and (ii) an updated resource estimate obtained pursuant to the MP Purchase Agreement prior to completion of a sale by the Company of its shares in MP or a sale by MP of all or substantially all of its interests in the six mining concessions that form part of Crucero; or (B) if neither (i) nor (ii) has occurred by December 31, 2012, an updated resource estimate based on all exploration completed on the six mining concessions at that time.

Management has 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 \$598,045 was included as a cost of the initial acquisition of the Crucero mineral properties. No K-Rok Contingent Shares have been issued to date.

During the quarter ended March 31, 2012, and as part of the closing of the remaining 40% interest in MP (see Note 4), the Company made an early payment of the final \$3,056,700 (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 MP. The carrying value of this final payment was \$2,819,016 on December 31, 2011. 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 March 31, 2012 is \$16,363,804 (\$16,504,191 – December 31, 2011). The change in carrying value of \$140,387 for the three months ended March 31, 2012 is due to changes in foreign currency translation rates between the Canadian dollar and Peruvian soles from December 31, 2011 to March 31, 2012.

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Three months ended March 31, 2012

(expressed in Canadian Dollars)

7 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

During the periods ended March 31, 2012 and 2011, the Company had related party transactions with K-Rok, which is owned 60% by ABE Industries Inc. ("ABE"), 35% by Havilah Holdings Inc. ("Havilah") and 5% by Javier Garcia, a consultant to the Company. ABE is wholly-owned by Gordann Consultants Ltd. ("Gordann"), a company in which Gordon Ellis owns a 51% interest and his wife, Margaret Ellis, owns a 49% interest. Gordon Ellis is the Executive Chairman of the Company and a director, and through his spousal and corporate ownerships is a greater than 10% shareholder of the Company. Havilah is a company wholly-owned by Geoff Courtnall, a consultant to the Company.

(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"), a director ("D") of the Company, and the non-controlling shareholders of MP ("NCS"), as below:

Nature of Transaction	Related Party	Three months ended March 31,	
		2012	2011
		\$	\$
Project administration	S, D	30,417	38,333
Shareholder and investor relations	S	30,000	30,000
Salaries and benefits	S, D	15,208	18,148
Technical reports	S	1,674	–
Drilling	NCS	–	100,002
Office and general	S	–	4,033
		77,299	190,516

(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 March 31,	
	2012	2011
	\$	\$
Salaries and benefits	276,276	124,750
Share-based compensation	123,043	235,414
Total key management compensation	399,319	360,164

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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 March 31, 2012, \$30,625 is due to Gordann (December 31, 2011 – \$Nil).

8 Equity

a) Common shares

Authorized: unlimited with no par value.

In connection with the acquisition of the remaining shares of MP on January 19, 2012, the Company issued 5,200,000 common shares of Lupaka Gold (valued at \$1.00 per share) to the former non-controlling shareholders of MP. These shares are subject to a regulatory hold period until May 20, 2012.

b) Preferred shares

Authorized: unlimited with no par value.

No preferred shares have been issued to date.

c) Share purchase warrants

Pursuant to the Company's initial public offering on June 28, 2011 (the "IPO"), there are 800,000 share purchase warrants outstanding at an exercise price of \$2.25 expiring on June 28, 2013 ("Broker warrants") and 6,666,667 warrants outstanding at an exercise price of \$2.25 expiring on June 28, 2014 ("IPO warrants").

d) 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.

Vesting terms will be determined for each grant individually, and the term of the option shall be for not less than one year and not more than 10 years from the date the option is granted.

The common shares issuable upon the exercise of the share options held by certain insiders of the Company are subject to escrow restrictions.

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

	Number of options	Weighted average exercise price \$
Outstanding, January 1, 2011	2,000,000	0.50
Granted	475,000	0.50
Outstanding, March 31, 2011	2,475,000	0.50
Granted	1,222,000	1.21
Outstanding, December 31, 2011	3,697,000	0.73
Granted	140,000	1.35
Forfeited	(140,000)	1.35
Exercised for cash	(50,000)	0.50 *
Outstanding, March 31, 2012	3,647,000	0.74
Exercisable, March 31, 2012	2,730,500	0.58

* - The weighted average price of Lupaka's shares on the date of exercise was \$1.34.

The weighted average fair value of the share options granted in the three months ended March 31, 2012 was estimated to be \$1.04 (2011 – \$0.36) per option at the grant date using the Black-Scholes option-pricing model and based on the following assumptions:

	Three months ended March 31	
	2012	2011
Weighted average market price (\$)	1.35	0.50
Weighted average exercise price (\$)	1.35	0.50
Dividend yield	–	–
Risk free interest rate (%)	1.2 – 2.4	2.7
Expected life (years)	3.2 – 4.6	4.6 – 4.8
Expected volatility (%)	118 – 126	96

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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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 \$247,710 have been recorded for the three months ended March 31, 2012 (2011 – \$344,618), allocated as follows:

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

The following table summarizes information about share options outstanding and exercisable at March 31, 2012:

Year of Expiry	Range of exercise prices \$	Number of options outstanding	Outstanding		Exercisable		
			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	0.50	2,250,000	0.50	3.6	2,250,000	0.50	3.6
2016	0.50 – 1.21	1,397,000	1.12	4.5	480,500	0.95	4.3
	0.50 – 1.21	3,647,000	0.74	3.9	2,730,500	0.58	3.7

d) Earnings/loss per share

Basic loss per share is calculated by dividing the loss of the Company by the weighted average number of common shares and special warrants issued and outstanding during the period.

For the three months ended March 31, 2012, 11,113,667 (March 31, 2011 – 2,475,000) shares to be issued on the exercise of share options and share purchase warrants have been excluded from the calculation of diluted loss per share because the effect is anti-dilutive.

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Notes to the Consolidated Interim Financial Statements (Unaudited)

Three months ended March 31, 2012

(expressed in Canadian Dollars)

9 Segmented information

The Company operates in one segment, being mineral exploration and development. The Company has no revenues. Losses for the period and total assets by geographic location are as follows:

	Three months ended March 31	
	2012	2011
	\$	\$
Loss		
Canada	853,396	882,566
Peru	612,385	265,224
	1,465,781	1,147,790
	March 31, 2012	December 31, 2011
	\$	\$
Total assets		
Canada	5,070,424	13,599,346
Peru	16,766,395	16,894,028
	21,836,819	30,493,374

10 Supplemental cash flow information

Cash and cash equivalents comprise the following:

	March 31, 2012	December 31, 2011
	\$	\$
Cash on hand and balances with banks	179,943	246,469
Short-term investments	4,835,025	13,230,555
	5,014,968	13,477,024

At March 31, 2012 and December 31, 2011, the Company's short-term investments are invested in GIC's and premium investment savings accounts in place at two major Canadian chartered banks and are fully cashable at any time.

11 Commitments

Future remaining minimum operating lease payments for the Company's Vancouver, Canada office are as follows:

	March 31, 2012
	\$
2012	52,394
2013	66,830
	119,224