

Lupaka Gold Corp.

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Presented in Canadian Dollars)

To the Shareholders of Lupaka Gold Corp.:

Opinion

We have audited the consolidated financial statements of Lupaka Gold Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of loss and other comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss and had negative cash flows from operations during the year ended December 31, 2023 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Matters

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jenny Lee.

Vancouver, British Columbia
April 22, 2024

MNP LLP

Chartered Professional Accountants

Lupaka Gold Corp.

Consolidated Statements of Financial Position

As at December 31, 2023 and 2022

(expressed in Canadian Dollars, Except Share Data)

	December 31, 2023 \$	December 31, 2022 \$
Assets		
Current assets		
Cash	34,965	70,595
GST receivable	1,205	13,085
Prepaid expenses and deposits	-	853
	36,170	84,533
Non-current asset		
Mineral properties (Note 4)	14,563	19,642
Total assets	50,733	104,175
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	668,550	726,507
Due to related parties (Note 6)	18,900	18,900
Total liabilities	687,450	745,407
Shareholders' Equity		
Common shares (Note 8 (a))	60,042,789	60,015,245
Warrants (Note 8 (b))	366,795	248,835
Contributed surplus	8,479,114	8,453,050
Deficit	(68,684,173)	(68,517,452)
Accumulated other comprehensive loss	(841,242)	(840,910)
Total equity	(636,717)	(641,232)
Total liabilities and equity	50,733	104,175

Nature of operations and going concern (Note 1)

Subsequent event (Note 8 (b))

Approved and authorized for issue by the Board of Directors on April 22, 2024

signed "Gordon Ellis"

Director

signed "Mario Stifano"

Director

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

Lupaka Gold Corp.

Consolidated Statements of Loss and Comprehensive Loss For the years ended December 31, 2023 and 2022

(expressed in Canadian Dollars, Except Share Data)

	2023	2022
	\$	\$
Operating expenses		
Exploration		
Project administration	1,207	-
General and administration		
Professional and regulatory fees	72,182	229,195
Management fees	38,866	110,911
Arbitration expenses	38,426	42,556
Shareholder and investor relations	7,996	16,849
Office and general	6,854	7,217
General and administration	164,324	406,728
Operating loss	(165,531)	(406,728)
Impairment of mineral property (Note 4)	(7,430)	-
Foreign exchange gain (loss)	6,240	(15,578)
Net loss for the year	(166,721)	(422,306)
Other comprehensive (loss) income	(332)	1,076
Loss and comprehensive loss for the year	(167,053)	(421,230)
Weighted average number of shares outstanding		
Basic and diluted	18,912,442	16,378,469
Loss per share, basic and diluted	(\$0.01)	(\$0.03)

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

Lupaka Gold Corp.

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

	2023	2022
	\$	\$
Cash flows from (used in) operating activities		
Net loss for the year	(166,721)	(422,306)
Adjustment for items not affecting cash:		
Share-based compensation expense (Note 8)	26,064	77,931
Impairment of mineral property (Note 4)	7,430	-
	(133,227)	(344,375)
Changes in non-cash working capital		
Trade and other receivables	11,880	(9,910)
Prepaid expenses and deposits	853	1,134
Accounts payables and accrued liabilities	(57,957)	122,458
Due to related parties (Note 6)	-	(12,600)
Net cash used in operating activities	(178,451)	(243,293)
Cash used in investing activities		
Mineral properties	(2,683)	(7,327)
Net cash used in investing activities	(2,683)	(7,327)
Cash flows from financing activities		
Proceeds from private placements, net (Note 8)	145,504	200,000
Net cash from financing activities	145,504	200,000
Net decrease in cash	(35,630)	(50,620)
Cash- beginning of year	70,595	121,215
Cash - end of year	34,965	70,595

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

Lupaka Gold Corp.

Consolidated Statements of Changes in Equity For the years ended December 31, 2023 and 2022

(presented in Canadian Dollars, Except Share Data)

	2023		2022	
	Number	\$	Number	\$
Common shares (Note 8 (a))				
Balance – beginning of year	18,027,784	60,015,245	16,027,770	59,892,640
Adjustment due to share consolidation	-	-	14	-
Issued pursuant to private placements	2,500,000	150,000	2,000,000	200,000
Share issuance costs	-	(4,496)	-	-
Fair value of share purchase warrants issued	-	(117,960)	-	(77,395)
Balance – end of year	20,527,784	60,042,789	18,027,784	60,015,245
Share purchase warrants (Note 8 (b))				
Balance – beginning of year		248,835		171,440
Issued pursuant to a private placement		117,960		77,395
Balance – end of year		366,795		248,835
Contributed surplus				
Balance – beginning of year		8,453,050		8,375,119
Share-based compensation		26,064		77,931
Balance – end of year		8,479,114		8,453,050
Deficit				
Balance – beginning of year		(68,517,452)		(68,095,146)
Net loss for the year		(166,721)		(422,306)
Balance – end of year		(68,684,173)		(68,517,452)
Accumulated other comprehensive income				
Balance – beginning of year		(840,910)		(841,986)
Currency translation adjustment on foreign operations		(332)		1,076
Balance – end of year		(841,242)		(840,910)
Total shareholders' equity		(636,717)		(641,232)

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

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

1 Nature of operations and going concern

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

Lupaka’s head office, and records and registered offices are located at 1569 Dempsey Road, North Vancouver, BC V7K 1S8. Lupaka’s common shares trade in Canada on the TSX Venture Exchange (“TSX.V”) and in Germany on the Frankfurt Exchange under the symbol LQP.

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

The Company is presently awaiting a decision on an Arbitration Claim against the Republic of Peru as a result of its loss of ownership of the Invicta Gold Project (“Invicta”) to PLI Huaura Holdings LP (“PLI”; see Note 6), and continues to hold three potential gold properties in the state of Oregon, USA. As well, management continues to seek out other exploration projects for potential development and investment.

Going Concern

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

If the going concern assumption was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used, and such adjustments would be material.

As at December 31, 2023, the Company had a working capital deficit (current assets less current liabilities) of \$651,280 (December 31, 2022 - \$660,874) and accumulated deficit of \$68,684,173 (December 31, 2022 – \$68,517,452). For the year ended December 31, 2023, the Company had a net loss of \$166,721 (2022 – net loss of \$422,306) and used cash in operating activities of \$178,451 (2022 – \$243,293).

The Company’s ability to continue as a going concern is dependent upon its ability to generate positive cash flow from operating activities or to raise funds primarily through the issuance of shares or obtaining alternative financing, which it has been successful in doing so in the past. There can be no assurance that sufficient financing can be obtained in the future. As a result, there are material uncertainties that cast significant doubt about the Company’s ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business.

As the outcome of these matters cannot be predicted at this time, if the Company is unable to generate positive cash flow from operating activities or obtain additional financing, management may be required to further curtail certain expenses.

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

2 Basis of preparation

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

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

These consolidated financial statements were approved by the Company’s Board of Directors on April 22, 2024.

2.2 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2.3 Basis of consolidation

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

The consolidated financial statements include the accounts of Lupaka and its wholly-owned subsidiaries, which are as follows:

- Lupaka USA Limited (“LPKUSA”), a USA company
- Andean American Gold Corp. (“AAG”), a Canadian company
- Lupaka Gold Peru S.A.C. (“LGP”), a Peruvian company
- Andean Exploraciones S.A.C. (“AES”), a Peruvian company (inactive)
- Greenhydro S.A.C. (“Greenhydro”), a Peruvian company (inactive)

2.4 Significant accounting judgments and key sources of estimate uncertainty

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

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

Significant accounting judgments

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

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

2 Basis of preparation (continued)

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

3 Accounting policies

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries disclosed in Note 2. All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation. Control exists where the parent entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

3.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). These consolidated financial statements are presented in Canadian Dollars, which is Lupaka’s and AAG’s functional currency. The functional currency of LGP, AES and Greenhydro is United States Dollars (“USD”).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items are re-valued using the spot rate at the consolidated statements of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss. When a gain or loss on a non-monetary item is recognized in other comprehensive loss or income, any foreign exchange component of that gain or loss is recognized in other comprehensive loss or income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(c) Subsidiaries

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the date of that statement of financial position;
- (ii) Income and expenses for each statement of loss are translated at average exchange rates for the period;
- (iii) Equity items are translated at historical rates; and
- (iv) All resulting exchange differences are recognized in other comprehensive loss until the disposal of the subsidiary.

When the Company disposes or no longer controls a foreign operation, the foreign currency gains or losses accumulated in other comprehensive loss related to the foreign operation are recognized in profit or loss.

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

3 Accounting policies (continued)

3.2 Financial assets and other financial liabilities

a) Financial Assets at Amortized Cost

Cash that is not quoted in an active market is classified as held at amortized cost. Such assets are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses.

b) Financial Assets at Fair Value Through Other Comprehensive Income (“FVOCI”)

Financial assets at FVOCI are equity securities that are not held for trading and which the Company has irrevocably elected at initial recognition to recognize in this category. Gains and losses arising from changes in fair value are recorded in other comprehensive income (“OCI”). When these equity securities are disposed, any related balance within FVOCI is classified to retained earnings and will not be reclassified to profit or loss.

c) Financial Liabilities at Amortized Cost

Financial liabilities are measured at amortized cost unless they are required to be measured at fair value through profit and loss (“FVTPL”), such as instruments held for trading or derivatives, or where the Company has opted to measure such liabilities at FVTPL.

Financial liabilities are recognized initially at fair value and subsequently measured at amortized cost and include accounts payable and accrued liabilities, loans, settlement liabilities and amounts due to related parties. Accounts payables and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable, accrued and settlement liabilities are measured at amortized cost using the effective interest method. Loans are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

De-Recognition of Financial Assets and Liabilities

A financial asset is de-recognized when the contractual right to the asset’s cash flows expire or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

3.3 Mineral property under development

Mineral property under development is stated at cost less accumulated impairment charges, if any. The costs associated with mineral property under development include direct costs and acquired interests in development, exploration and production-stage properties. Mineral property under development includes the capitalized costs of associated mineral properties after acquisition of the properties, the costs incurred during the development of mineral properties (once feasibility has been established) and the deferred stripping costs after the commencement of production. Capitalization of pre-commercial production ceases when the mining property is capable of commencement of mining operations in the manner intended by management.

When mineral property under development is brought into production, they will be amortized on a unit-of-production basis. Upon sale or abandonment of its mineral property under development, the

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

3 Accounting policies (continued)

cost and related accumulated depreciation are written off and any gains or losses thereon are included in income or loss for the year.

3.4 Exploration and evaluation expenditures

Exploration and evaluation expenditures comprise costs which are directly attributable to: researching and analyzing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. All exploration and evaluation expenditures are expensed as incurred, net of proceeds from the sale of metal extracted during the evaluation and exploration phase, except that acquisition and maintenance costs are capitalized to Mineral Property on the balance sheet.

Once management has determined that the property is economically viable and technically feasible, the decision to proceed with development has been approved, and the necessary permits are in place for its development, development costs will be capitalized to mineral property under development.

3.5 Impairment of non-current assets

At each reporting date, the Company reviews the carrying amounts of its non-current assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent with other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount is determined as the higher of fair value less costs of disposal and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves and resources, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense in the consolidated statement of loss and comprehensive loss.

Non-current assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset or CGU in prior years. A reversal of impairment is recognized as a gain in the consolidated statement of loss and comprehensive loss. During the year ended December 31, 2019, the Company recorded an impairment of certain non-current assets related to Invicta as a result of loss of control over IMC, which owns Invicta.

3.6 Related party transactions

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.

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

3 Accounting policies (continued)

3.7 Share capital

Common shares are classified as equity. The proceeds from the exercise of share options or warrants together with amounts previously recorded on grant date or issue date are recorded as share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.8 Share-based compensation

The Company has a share-based compensation plan under which the entity receives services from employees, directors and non-employees as consideration for equity instruments (share options) of the Company.

The fair value of share options granted to employees is measured on the grant date and share options granted to non-employees are measured on the date that the goods or services are received.

The fair value of the employee services received in exchange for the grant of the options is recognized as an expense, with a corresponding increase in contributed surplus. The total amount to be expensed is determined by reference to the fair value of the options granted and the related vesting periods. The fair value is determined by using the Black-Scholes option pricing model where the fair value of services cannot be estimated reliably. Non-market vesting conditions are included in the estimate of the number of options expected to vest. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of options expected to vest. Any change from estimate is recognized with a corresponding adjustment to equity. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

When share options are exercised, the proceeds received and the initial fair value of the share options in contributed surplus are credited to share capital.

3.9 Share purchase warrants

Share purchase warrants (“warrants”) are measured at their fair value using Black Scholes on the date of grant and are recorded as a separate component of equity. When a warrant is exercised, the initial fair value of the warrant, as determined on the grant date, is transferred to share capital. The initial fair values of warrants that expire unexercised are transferred to contributed surplus.

3.10 Earnings per share

Basic earnings per share is calculated by dividing the net earnings available to common shareholders by the weighted average number of shares outstanding during the year. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding, if dilutive. Diluted earnings per share is calculated using the treasury share method, in which the assumed proceeds from the potential exercise of those share options and warrants whose average market price of the underlying shares are used to purchase the Company’s common shares at their average market price for the period. In a year when net losses are incurred, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

For the year ended December 31, 2023 – 6,753,167 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.

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

3 Accounting policies (continued)

3.11 Provisions and contingent liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized within financing costs.

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

3.12 Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of loss and comprehensive loss for the year, except to the extent that it relates to items recognized in other comprehensive loss or income or directly in equity. In this case, the tax is recognized in other comprehensive loss or income or directly in equity, respectively.

(a) Current tax

Current income taxes are calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects accounting or taxable profit or loss, and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

3 Accounting policies (continued)

taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.13 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Chief Executive Officer. The Chief Executive Officer, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the person who makes strategic decisions as the chief operating decision maker.

The Company has two reportable segments, being its Canada-based head office and its USA-based exploration and development of its mineral property under development. The Company's geographical segments are determined by the location of the Company's assets and liabilities.

3.14 Valuation of equity units issued in private placements

The fair value of the common shares issued in the private placements was determined to be the pro rata portion of the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date and the pro rata fair value attributable to the warrants that was calculated using the Black-Scholes pricing model.

4 Mineral properties

In December 2021, LPK USA acquired three potential gold properties in the state of Oregon, USA referred to as the Idol City, Pine Creek and Red Mountain projects. All of these properties are located in the south-east corner of the state in a similar geological environment to the prolific Battle Mountain - Eureka trend in Northern Nevada.

On December 13, 2023, the Company was advised by the Bureau of Land Management (Oregon State Office) that the Red Mountain mining claims are located on land that has been withdrawn from mineral development by an Act of Congress for the Steens Mountain Wilderness Area and the Steens Mountain Cooperative Management and Protection Area. As a result, \$7,430 in previously-capitalized costs for the Red Mountain property have been written off, leaving the Idol City and Pine Creek properties as the Company's only remaining mineral properties.

As at December 31, 2023, consulting, legal and staking expenditures totaling \$14,563 have been capitalized to mineral properties to December 31, 2023 (December 31, 2022 - \$19,642).

5 Accounts payable and accrued liabilities

As at December 31, 2023, \$293,425 was payable to a former CEO of the Company pursuant to a March 2018 settlement agreement which was renegotiated in February 2019. In addition, approximately \$213,000 remains due to KLR Group, LLC for finder's fees incurred in obtaining the PLI Financing Agreement (Note 7) pursuant to a June 2017 settlement agreement.

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

6 Related party transactions

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

a) Related party expenditures

During the year ended December 31, 2023, the Company incurred \$5,000 (2022 - \$5,000) in management fees with DFJ Consulting Services Ltd., a company owned by the CFO of the Company.

(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 for the years ended December 31, 2023 and 2022 is shown below:

	2023	2022
	\$	\$
Management fees	5,000	5,000
Share-based compensation	16,237	51,160
Total	21,237	56,160

(c) Due to current and former related parties

Amounts due to or from 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 December 31, 2023:

- \$2,100 was payable to the Company's CFO for outstanding management fees, which is included in Due to Related Parties;
- \$16,800 was payable for consulting and advisory services to Havilah Holdings Inc. ("Havilah"), which is included in Due to Related Parties. Havilah is a co-owner of K-Rok Minerals Inc., a >10% shareholder of the Company, which is owned 47.5% by ABE, 47.5% by Havilah and 5% by another individual. ABE is wholly-owned by Gordann Consultants Ltd., a company in which the Company's Chairman, CEO and a director owns a 51% interest and his wife owns a 49% interest; and
- \$293,425 (December 31, 2022 - \$293,425) was payable to a former CEO of the Company pursuant to a March 2018 settlement agreement between the parties, which is included in Accounts Payable.

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

7 Arbitration Claim Made Under The Canada-Peru Trade Agreement

On October 21, 2019, the Company delivered to the Peruvian Minister of Economy and Finance a Request for Arbitration in accordance with the 2009 Free Trade Agreement between Canada and Peru (the “CPFTA Arbitration”). In this respect, the Company has engaged Lalive SA (London) and Boles Schiller Flexner LLP (New York City) to represent its interests in the CPFTA Arbitration, which primarily centers on a claim for US\$47.7 Million plus arbitration expenses and interest at a rate of LIBOR+2% compounded annually from August 27, 2019 until payment is received by Lupaka.

On August 4, 2020, the Company reported that it had entered into an Arbitration Funding Agreement with Bench Walk Advisors (“BWA”) to support the Company’s arbitration claim against the Republic of Peru under the CPFTA. The BWA Agreement allows for up to USD\$4.1 million to support the arbitration and related costs. Amounts advanced by BWA are repayable only upon completion of a successful claim and recovery. The actual amount received by BWA will vary in accordance with the actual settlement received by the Company from the Republic of Peru. As such, the financing is non-dilutive to current Lupaka shareholders. Precise terms of the Arbitration Funding Agreement (other than those set out herein) are confidential.

From March 27 to April 3, 2023, the arbitration hearing stage of the Company’s Arbitration Claim against the Republic of Peru convened in Washington, D.C. Subsequent to the completion of the arbitration hearings, the Tribunal granted the Parties an opportunity to answer specific questions that the Tribunal had. These questions and information requests were received and answered by the Parties in late June 2023.

During the week of October 16, 2023 and in response to the ICSID’s request, the Company and the Republic of Peru each submitted their reimbursement for payment of arbitration expenses to the ICSID Tribunal, which the Tribunal will factor into their Arbitration Claim decision. Management believes these to be the last documents to be submitted for the Arbitration Claim process.

In November 2023, ICSID requested a further advance of USD250,000 from each of the Parties, which for the Company was funded by BWA pursuant to the Company’s BWA Arbitration Funding Agreement.

In March 2024, ICSID advised the Parties on behalf of the President of the Tribunal that the Tribunal has held deliberations on the case and drafting of the ruling is well underway. However, work remains, given the very extensive arguments presented by both Parties. The Tribunal is working with a view to completing its drafting by this summer, with the goal to release the ruling in the course of the second half of the year, bearing in mind also the time necessary to finalize the ruling in the two procedural languages. The Tribunal will provide a more concrete report of the anticipated timing of the ruling as soon as practicable.

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

8 Equity

a) Common shares

Authorized: unlimited with no par value.

Consolidation of the Company's common shares

At the Company's annual general and special meeting of the Company's shareholders held on June 10, 2022 (the "Meeting"), the shareholders approved: a consolidation of the common shares in the capital of the Company on the basis of one (1) post-consolidation common share for every ten (10) pre-consolidation common shares (the "Consolidation"); and a necessary amendment of the Company's Articles. On August 15, 2022, the effective date of the Consolidation, trading of the Company's post-Consolidation shares commenced on August 15, 2022 with a new CUSIP number of 550435309 and a new ISIN number of CA5504353098. The Company's name and stock symbol remain unchanged following the Consolidation. All information related to the Company's common shares, options, warrants and loss per share have been retroactively adjusted to give effect to the Consolidation for all periods presented. Immediately following the Consolidation, the number of common shares outstanding was reduced to 16,027,784 shares issued and outstanding.

Private Placements

On November 15, 2023, the Company closed a non-brokered private placement (the "Placement"), to raise gross proceeds of \$30,000. The Company issued 500,000 units at a price of \$0.06 per unit. Each unit consists of one common share of the Company and one common share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.10 for a period of three years from closing.

No insiders of the Company participated in the Placement and no finders' fees were paid. The proceeds of the Placement will be used to fund property acquisitions and development expenditures, and general working capital. The shares and Warrants issued in the Placement are subject to a four-month hold period.

On July 26 and August 18, 2023, the Company closed non-brokered private placements (the "NBPPs"), to raise gross proceeds of \$120,000, by issuing 1,300,000 and 700,000 units, respectively, at a price of \$0.06 per unit. Each unit consists of one common share of the Company and one common share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.10 for a period of three years from the closing dates. No finders' fees are applicable, and the proceeds of the NBPP will be used to fund property acquisitions and development expenditures, and general working capital. Total share issuance costs were \$2,775.

On October 28, 2022, the Company announced that it had closed a non-brokered private placement. Upon the closing, the Company issued 2,000,000 units at a price of \$0.10 per unit for gross proceeds of \$200,000. Each unit consists of one common share of the Company and one transferable common share purchase warrant entitling the holder to purchase an additional common share of the Company at a price of \$0.25 for a period of three years from the closing. All of the shares issued and any warrant shares (if exercised prior to March 1, 2023) are subject to a hold period expiring four months and one day from the closing in accordance with applicable securities laws. No finder's fees were paid in connection with this private placement.

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

8 Equity (continued)

The proceeds of the private placement will be used for property acquisitions and development expenditures, and general working capital.

b) Share purchase warrants

Pursuant to the closing of the November 15, 2023 private placement, the Company issued 500,000 transferable common share purchase warrants, respectively, entitling the holder to purchase an additional common share of the Company at a price of \$0.10 for a period of three years from the respective Closing (the “Placement”) dates. All of the Shares issued and any Warrants Shares (if exercised prior to March 16, 2024) are subject to a hold period expiring four months and one day from the respective Closing dates. The residual fair value of the Warrant Shares was estimated to be a weighted average value of \$0.0557 per warrant, for a total of \$27,858 recorded as Warrants, at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

Exercise price (\$)	0.10
Risk free interest rate (%)	4.52%
Expected life (years)	3.0
Expected volatility (%)	100%

As at December 31, 2023, all 500,000 Warrant Shares remain outstanding.

Pursuant to the closing of the July 26 and August 18, 2023 private placements, the Company issued 1,300,000 and 700,000 transferable common share purchase warrants, respectively, entitling the holder to purchase an additional common share of the Company at a price of \$0.10 for a period of three years from the respective Closing (the “Placement”) dates. All of the Shares issued and any Warrants Shares (if exercised prior to November 27 or December 19, 2023, respectively) are subject to a hold period expiring four months and one day from the respective Closing dates. The residual fair value of the Warrant Shares was estimated to be a weighted average value of \$0.0451 per warrant, for a total of \$90,102 recorded as Warrants, at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

Exercise price (\$)	0.10
Risk free interest rate (%)	4.70 – 4.78%
Expected life (years)	3.0
Expected volatility (%)	100%

As at December 31, 2023, all 2,000,000 Warrant Shares remain outstanding.

Pursuant to the closing of the October 28, 2022 private placement, the Company issued 2,000,000 transferable common share purchase warrants entitling the holder to purchase an additional common share of the Company at a price of \$0.25 for a period of three years from the Closing (the “Placement”). All of the Shares issued and any Warrants Shares (if exercised prior to March 1, 2023) are subject to a hold period expiring four months and one day from the Closing. The residual fair value of the Warrant Shares was estimated to be \$0.039 per warrant, for a total of \$77,395 recorded as Warrants, at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

8 Equity (continued)

Exercise price (\$)	0.25
Risk free interest rate (%)	3.84
Expected life (years)	3.0
Expected volatility (%)	100%

As at December 31, 2023, all 2,000,000 Warrant Shares remain outstanding.

Pursuant to the closing of the July 2021 private placement, the Company issued 400,000 Warrant Shares. Each Warrant Share entitles the holder to purchase one additional common share, exercisable at \$1.00 for a period of thirty-six months from closing. The residual fair value of the Warrant Shares was estimated to be \$0.24 per warrant, for a total of \$95,321 recorded as Warrants, at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

Exercise price (\$)	1.00
Risk free interest rate (%)	0.44
Expected life (years)	3.0
Expected volatility (%)	100%

As at December 31, 2023, all 400,000 Warrant Shares remain outstanding.

Pursuant to the closing of the January 2021 private placement, the Company issued 200,000 Warrant Shares. Each Warrant Share entitles the holder to purchase one additional common share, exercisable at \$1.00 for a period of thirty-six months from closing. The residual fair value of the Warrant Shares was estimated to be \$0.38 per warrant, for a total of \$76,119 recorded as Warrants, at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

Exercise price (\$)	1.00
Risk free interest rate (%)	0.16
Expected life (years)	3.0
Expected volatility (%)	100%

As at December 31, 2023, all 200,000 Warrant Shares remain outstanding but expired as at January 20, 2024.

Following is a continuity schedule of the Company's warrants, for the year ended December 31, 2023 and 2022:

	2023	Weighted average exercise price \$	2022	Weighted average exercise price \$
	Number of share purchase warrants		Number of share purchase warrants	
Warrants outstanding – beginning of year	2,600,000	0.42	600,000	1.00
Placement Warrants issued	2,500,000	0.10	2,000,000	0.25
Warrants outstanding – end of year	5,100,000	0.26	2,600,000	0.42

The weighted average remaining life of the Company's warrants is 2.06 years.

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

8 Equity (continued)

c) Share options

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

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

Vesting terms are determined for each grant by the Company’s Board of Directors. The options granted in the years ended December 31, 2023 and 2022 vest in equal amounts beginning as early as on the date of grant and ending up to eighteen months from the date of grant.

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

	2023		2022	
	Number of share options	Weighted average exercise price \$	Number of share options	Weighted average exercise price \$
Options outstanding – beginning of year	1,603,167	0.59	1,458,167	0.81
Granted	285,000	0.08	320,000	0.09
Expired	(235,000)	1.60	(175,000)	1.50
Options outstanding – end of year	1,653,167	0.36	1,603,167	0.59

The weighted average fair value of the share options granted in the year ended December 31, 2023 was estimated to be \$0.06 (year ended December 31, 2022 – \$0.07) per option at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

	2023	2022
Average exercise price (\$)	0.08	0.09
Dividend yield	–	–
Risk free interest rate (%)	3.75	3.38
Expected life (years)	5.0	5.0
Forfeiture rate (%)	–	–
Expected volatility (%)	100.0	100.0

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.

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

8 Equity (continued)

Non-cash share-based compensation costs of \$26,064 have been recorded for the year ended December 31, 2023 (2022 – \$77,931), and allocated as follows:

	2023	2022
	\$	\$
Management fees	20,856	62,131
Shareholder and investor relations	2,708	5,900
Arbitration expenses	2,500	9,900
Total share-based compensation	26,064	77,931

The following table summarizes information about share options outstanding and exercisable at December 31, 2023:

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)
2024	0.50 – 1.00	345,000	0.57	0.6	345,000	0.57	0.6
2025	0.50	403,167	0.50	1.7	403,167	0.50	1.7
2026	0.50	300,000	0.50	2.9	300,000	0.50	2.9
2027	0.09	320,000	0.09	3.9	240,000	0.09	3.9
2028	0.08	285,000	0.08	4.9	71,250	0.08	4.9
		1,653,167	0.36	2.7	1,359,417	0.42	2.3

9 Income tax expense

The significant components of the Company's deferred income tax assets and liabilities at December 31, 2023 and 2022 are as follows:

	2023	2022
	\$	\$
Deferred income tax assets:		
Non-capital loss carry-forwards, net	4,076,868	4,040,583
Net capital loss carry-forwards	8,398,081	8,398,081
Share issuance costs	971	2,147
Property and equipment	341	437
Mineral resource properties	1,947	-
Deferred income tax assets, net	12,478,208	12,441,248
Unrecognized tax assets	(12,478,208)	(12,441,248)
	-	-

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

9 Income tax expense (continued)

The tax expense differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

<i>In dollars, except statutory rate</i>	2023	2022
	\$	\$
Earnings (loss) before income tax expense (recovery)	(166,721)	(422,306)
Average statutory rate	27.00%	27.00%
Expected income tax (recovery) at statutory rates	(45,014)	(114,023)
Non-deductible expenses and non-taxable revenues	7,040	21,041
Change in statutory, foreign tax, foreign exchange rates and other	67	(134)
Share issuance costs	(1,214)	-
Adjustment to prior year's provision versus statutory tax returns	2,160	(319)
Tax benefits not recognized	36,961	93,435
Income tax expense	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2023	Expiry date	2022	Expiry date
	\$	range	\$	range
Temporary differences:				
Share Issuance Costs and Financing Fees (20(1)(e))	3,597	2043 to 2047	7,953	2042 to 2045
Allowable capital losses	31,104,006	No expiry date	31,104,006	No expiry date
Non-capital losses	15,099,547	2029 to 2043	14,965,122	2029 to 2042
Property and equipment	1,263	No expiry date	1,618	No expiry date
Mineral resource properties	7,429	No expiry date	-	No expiry date

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

10 Segmented information

The Company has two reportable segments. Canada includes the Canadian corporate office and the Company's Management. The United States includes its exploration projects. The Company's reportable segments are based on the reports reviewed by Management that are used to make strategic decisions. Earnings for the year and total assets by segments are as follows:

	Years ended December 31	
	2023	2022
	\$	\$
Earnings (loss)		
Canada	(158,084)	(422,306)
United States	(8,637)	-
	(166,721)	(422,306)

	As at December 31	
	2023	2022
	\$	\$
Total assets		
Canada	36,170	84,533
United States	14,563	19,642
	50,733	104,175

11 Capital management

The Company's objective when managing capital structure is to maintain liquidity in order to ensure the Company's strategic acquisition and exploration objectives are met. In the management of capital, the Company defines capital as its shareholders' deficiency (December 31, 2023 – (\$636,717); December 31, 2022 – (\$641,232)).

The Company manages and makes adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company intends to continue to assess new resource properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash equivalents and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

At December 31, 2023, the Company is seeking opportunities to obtain further funding to pay for exploration and liabilities as they come due.

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

12 Financial risk factors

(a) Financial risk exposure and risk management

The Company's activities expose it to a variety of financial risks, which include credit, liquidity, market, foreign exchange, interest rate, and commodity price risks.

Financial risk management is carried out by the Company's management team with oversight from the Company's Board of Directors. The Board of Directors provides regular guidance for overall risk management.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (Note 1). The Company manages its liquidity risk through the management of its capital structure and assets.

At December 31, 2023 and 2022, the Company's undiscounted contractual obligations and their maturity dates were as follows:

	December 31, 2023 \$	December 31, 2022 \$
Trade and other payables (within 1 year)	687,450	745,407

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign exchange rates, prices, interest rates, and commodity prices.

Interest rate risk

The Company is exposed to financial risk related to the fluctuation of interest rates.

Foreign exchange risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company incurs a portion of its expenses US Dollars. A significant change in the currency exchange rates may have an effect on the Company's results of operations. The Company has not hedged its exposure to currency fluctuations.

The Company is exposed to foreign exchange risk through the following financial assets and liabilities denominated in US Dollars ("US\$") as at December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
		US\$
Cash	108	3,536
Current liabilities	(161,043)	(160,983)

Based on the above net exposure as at December 31, 2023, and assuming that all other variables remain constant, a 10% appreciation (depreciation) of the Canadian Dollar against the US Dollar would result in an increase or decrease of approximately +/- \$21,000 (2022 – \$21,000) in the Company's net earnings for the year.

Lupaka Gold Corp.

Notes to the Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(presented in Canadian Dollars)

12 Financial risk factors (continued)

(b) Fair value of financial instruments

IFRS 7 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 – valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities).

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and valuation techniques may have a material effect on the estimated fair value amounts.

The fair values of cash and trade and other payables approximate carrying value because of their short-term nature. At December 31, 2023 and 2022, the Company had no financial instruments that would be categorized as Level 2 or Level 3 in the fair value hierarchy above.