Lupaka Gold Corp.

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2018 and 2017
(Presented in Canadian Dollars)

(Unaudited)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

Lupaka Gold Corp.

Consolidated Statements of Financial Position
As at March 31, 2018 and 2017
(presented in thousands of Canadian Dollars)

	March 31, 2018 $	December 31, 2017 $
Assets		
Current assets		
Cash	5,969	1,656
Value added tax receivables	45	41
Marketable securities (Note 4)	504	3,797
Prepaid expenses and deposits	42	261
	6,560	5,755
Non-current assets		
Equipment (Note 5)	131	95
Mineral property under development (Note 6)	15,924	13,240
Total assets	22,615	19,090
Liabilities		
Current liabilities		
Accounts payables and accrued liabilities	1,314	1,321
Loans (Note 8)	830	600
Current portion of metals derivative liability (Note 10)	656	259
Due to related parties (Note 7)	314	18
	3,114	2,198
Long-term liabilities		
Metals derivative liability (Note 10)	5,083	3,368
Deferred revenues (Note 9)	2,471	1,177
Reclamation and closure cost obligations (Note 11)	653	652
Other liability	275	275
Long-term portion of loans (Note 8)	–	211
Total liabilities	11,596	7,881
Equity		
Common shares (Note 12 (a))	59,080	58,774
Warrants (Note 12 (b))	1,256	1,286
Contributed surplus	4,909	4,802
Deficit	(55,588)	(54,834)
Accumulated other comprehensive income	1,362	1,181
Total equity	11,019	11,209
Total liabilities and equity	22,615	19,090

Nature of operations (Note 1)
Contingencies (Note 11)
Subsequent events (Notes 8 and 12)

Approved and authorized for issue by the Board of Directors on May 23, 2018

signed "Will Ansley"
Director

signed "Gordon Ellis"
Director

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

Lupaka Gold Corp.

Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2018 and 2017

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

	2018 $	2017 $
Operating expenses		
Exploration		
Camp, community relations and related costs, net of recoveries	(251)	208
Project administration	28	106
	(223)	314
General and administration		
Salaries and benefits	218	79
Shareholder and investor relations	45	10
Office and general	34	24
Professional and regulatory fees	28	21
Travel	9	–
	334	134
Operating loss	111	448
Financing expenses (Note 14)	288	71
Gain on metals derivative liability	(38)	–
Loss on sale of marketable securities (Note 4)	393	–
Net loss for the year	754	519
Other comprehensive loss		
Change in fair value of available-for-sale securities	50	–
Currency translation adjustment on foreign operations	(231)	(662)
Comprehensive loss for the year	573	(143)
Weighted average number of shares outstanding, basic and diluted	119,390,117	112,450,388
Loss per share, basic and diluted	$0.01	$0.00

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

Lupaka Gold Corp.

Consolidated Statements of Cash Flows
For the three months ended March 31, 2018 and 2017
(presented in Thousands of Canadian Dollars)

	2018 $	2017 $
Cash flows from (used in) operating activities		
Net loss for the year	(754)	(519)
Adjustment for items not affecting cash:		
Unrealized foreign exchange	(124)	–
Loan accretion	19	50
Share-based compensation expense	60	70
Loss for marketable securities (Note 4)	393	–
Gain on metals derivative liability	(38)	–
Finance expense	356	–
Depreciation (Note 5)	3	11
Provisions for reclamation	–	22
	(85)	(366)
Changes in non-cash working capital		
Trade and other receivables	(4)	(1)
Prepaid expenses and deposits	220	4
Accounts payables and accrued liabilities	137	110
Due to related parties (Note 7)	60	(3)
Net cash from (used in) operating activities	328	(256)
Cash flows from investing activities		
Proceeds on sale of marketable securities	3,000	–
Mineral property costs	(2,431)	–
Purchase of equipment	(36)	–
Net cash from investing activities	533	–
Cash flows from financing activities		
PLI Financing (Note 9)	3,153	–
Exercise of warrants	218	20
Exercise of options	23	–
Proceeds from loans, net (Note 8)	–	109
Deposits held	–	95
Net cash from financing activities	3,394	224
Net increase (decrease) in cash	4,255	(32)
Cash- beginning of year	1,656	112
Effect of foreign exchange rate changes on cash	58	(31)
Cash - end of year	5,969	49

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

Lupaka Gold Corp.

Consolidated Statements of Changes in Equity
For the three months ended March 31, 2018 and 2017

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

	2018		2017	
	Number	**$**	**Number**	**$**
Common shares (Note 12 (a))				
Balance – beginning of year	118,734,680	58,774	115,474,680	58,419
Share purchase warrants exercised	1,616,430	267	200,000	24
Shares issued for debt	–	–	300,000	45
Stock options exercised	340,000	39	–	–
Balance – end of year	120,691,110	59,080	115,974,680	58,488
Share purchase warrants (Note 12 (b))				
Balance – beginning of year		1,286		1,366
Share purchase warrants exercised		(49)		(3)
Agent's warrants issued pursuant to PLI Financing (Note 9)		19		–
Balance – end of year		1,256		1,509
Contributed surplus				
Balance – beginning of year		4,802		4,012
Share-based compensation		123		69
Stock options exercised		(16)		–
Balance – end of year		4,909		4,081
Deficit				
Balance – beginning of year		(54,834)		(39,951)
Net loss for the year		(754)		(519)
Balance – end of year		(55,588)		(40,470)
Accumulated other comprehensive income				
Balance – beginning of year		1,181		2,115
Change in fair value of available-for-sale securities		(50)		–
Currency translation adjustment on foreign operations		231		662
Balance – end of year		1,362		2,777
Total equity		11,019		26,385

1 Nature of operations

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

All of Lupaka's resource projects are located in Peru and are held by Lupaka's 100%-owned subsidiaries.

Lupaka's registered office is located at 700 – 595 Howe Street, Vancouver, BC, V6C 2T5 and its records office is located at 220 – 800 West Pender Street, Vancouver, BC, V6C 2V6. Lupaka's common shares trade in Canada on the TSX Venture Exchange ("TSX.V") and in Germany on the Frankfurt Exchange under the symbol LQP.

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

2 Basis of preparation

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

2.1 Reclassification of comparative figures

Certain comparative figures as at December 31, 2017 have been changed as a result of a reclassification of such figures.

2.2 Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS"). As such, these interim financial statements do not include all of the information required by IFRS for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

These interim statements also follow the same accounting policies and methods of computation as compared to the most recent consolidated financial statements for the year ended December 31, 2017, in addition to any new accounting policies applicable for the three months ended March 31, 2018.

These unaudited condensed consolidated interim financial statements were approved by the Company's Board of Directors on May 23, 2018.

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 unaudited condensed consolidated interim financial statements include the accounts of Lupaka and its subsidiaries, all of which are 100% owned:

- Andean American Gold Corp. (“AAG”), a Canadian company
- Lupaka Gold Peru S.A.C. (“LGP”), a Peru company
- Invicta Mining Corp S.A.C. (“IMC”), a Peru company
- Andean Exploraciones S.A.C. (“AES”), a Peru company (inactive)
- Greenhydro S.A.C. (“Greenhydro”), a Peru company (inactive)

2.4 Significant accounting judgments and key sources of estimate uncertainty

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

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

Significant accounting judgments

The following are the significant judgments 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 unaudited condensed consolidated interim financial statements.

Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs – this review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property’s value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property’s acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

Estimated useful lives – The useful life of some of the Company’s items of property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property, plant and equipment would increase the recorded operating expenses and decrease long-term assets.

Reclamation obligations – provision is made for the anticipated costs of future reclamation and rehabilitation of mining areas which have been altered due to exploration activities and/or from which natural resources have been extracted to the extent that a legal or constructive obligation exists. These provisions include future cost estimates associated with reclamation, the calculation of which requires assumptions such as application of environmental legislation, available technologies and engineering cost estimates, and asset specific discount rates to determine the present value of the related cash flows. A change in any of the assumptions used may have a material impact on the carrying value of reclamation provisions.

Deferred revenue - Significant judgments are required in determining the appropriate accounting treatment for the PLI Financing Agreement with PLI Huaura Holdings LP ("PLI") entered into during 2018 (See Note 9). Management has determined that the net deposits received from PLI, less any other metals option value (the "Other Metals Option"), for the future delivery of gold ounces from production at the Invicta Project at contractual prices meet the criteria for deferred revenue. As at March 31, 2018, all three Tranches were received, and the estimated $5,739,000 fair value of the Other Metals Option is currently included in Deferred Revenue.

Recognition of deferred revenues – provision is made regarding the PLI Financing Agreement where the accounting recognition of the prepayment amounts, less any covered metals option value, are recorded as deferred revenue, to be amortized over the expected gold ounces to be delivered under the PLI Financing Agreement. These provisions include the use of future production forecasts as well as estimations of the volatility of the applicable commodity prices, the market prices, and risk-free rate.

The valuation of the related derivative in this arrangement is an area of estimation and is determined using discounted cash flow models. These models require a variety of inputs, including, but not limited to, contractual terms, market prices, forward curve prices, mine plans and discount rates. Changes in these assumptions could affect the carrying value of derivative assets or liabilities and the amount of gains or losses recognized in other operation income (expense).

Determination of functional currency – the functional currency is the currency of the primary economic environment in which an entity operates. This involves evaluating factors such as the dominant currency that influences local competition and regulation, the currency that is used to pay local operating costs, and the currency used to generate financing cash inflows. The evaluation of these factors is reviewed on an ongoing basis.

Determination of cash-generating units – for the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows or outflows (cash-generating units). In management's judgment the Company has one cash-generating unit ("CGU") based on the evaluation of the smallest discrete group of assets that generate cash flows.

Impairment of mineral property under development – the carrying value of the Company's mineral property under development is reviewed by management at each reporting period, or whenever events or circumstances indicate that the carrying value may not be recovered. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

Recognition of deferred income tax assets - the decision to recognise a deferred tax asset is based on management's judgment of whether it is considered probable that future taxable profits will be available against which unused tax losses, tax credits or deductible temporary differences can be utilized. The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

2.4 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

Readers are advised that a complete listing of the Company's accounting policies can be found in the Company's audited consolidated financial statements for the year ended December 31, 2017.

These unaudited condensed consolidated interim 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 unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements are presented in Canadian Dollars, which is Lupaka's and AAG's functional currency.

Effective January 1, 2018 the Company determined that the functional currency of LGP, IMC, AES and Greenhydro is the United States Dollars ("USD"). This change in functional currency arose due to a change in their primary economic environments, including financings primarily in USD and a majority of costs in USD as the Company transitions to development and then to production at its Invicta Gold Development Project. Previously the functional currency of LGP, IMC, AES and Greenhydro was the Peruvian Sol.

3.2 New standards and interpretations

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning January 1, 2018, as set out below. Pronouncements that are not applicable to the Company have been excluded from this note.

IFRS 9 - Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments ("IFRS 9") to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Company's unaudited condensed consolidated interim financial statements were not affected by IFRS 9.

IFRS 15 - *Revenue from Contracts with Customers* - In April 2017, the IASB issued IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 - Construction Contracts, IAS 18 - Revenue, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers, and SIC 31 - Revenue - Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is currently mandatory for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company early-adopted this standard effective for the year ended December 31, 2017 - there was no impact as a result of such early adoption.

4 Marketable securities

On November 20, 2017 ("Closing Date"), the Company closed the sale of Crucero and acquired 3,500,000 common shares of Goldmining Inc. (TSXV: GOLD, the "GOLD Shares"), which the Company classifies as an available-for-sale financial asset.

As at March 31, 2018, Company held 406,600 GOLD shares and as the quoted market value of the GOLD shares had decreased from the market value at December 31, 2017, the Company recorded a decline in fair value of $50,000, included in other comprehensive loss, on its GOLD shareholdings. Additionally, the Company realized a total loss of $393,000 on the sale of 2,448,000 GOLD shares for the three months ended March 31, 2018.

5 Equipment

In thousands of dollars	**Vehicles and field equipment $**	**Office equip and furniture $**	**Total $**
Cost			
Balance as at December 31, 2016	564	106	670
Additions	–	4	4
Write-down of equipment	(274)	(16)	(290)
Foreign exchange	(15)	(8)	(23)
Balance as at December 31, 2017	275	86	361
Additions	3	33	36
Foreign exchange	7	5	12
Balance as at March 31, 2018	285	124	409
Accumulated depreciation			
Balance as at December 31, 2016	371	93	464
Depreciation	32	5	37
Write-down of equipment	(208)	(10)	(218)
Foreign exchange	(12)	(5)	(17)
Balance as at December 31, 2017	183	83	266
Depreciation	3	–	3
Foreign exchange	5	4	9
Balance as at March 31, 2018	191	87	278
Carrying amounts			
Balance as at December 31, 2017	92	3	95
Balance as at March 31, 2018	94	37	131

During the three months ended March 31, 2018, $3,000 (2017 – $Nil) of depreciation was capitalized to the Invicta mineral property under development and $Nil (2017 – $10,000) was included in project administration and $Nil (2017 – $1,000) of depreciation was included in office and general.

6 Mineral property under development

The Company's Invicta Gold Project ("Invicta") comprises the Company's sole mineral property under development.

The Company acquired Invicta, in the Lima Region of central Peru, in connection with the Company's October 2012 acquisition of AAG.

Invicta contains a gold-copper polymetallic underground deposit located within the group of 5 Victoria concessions acquired from Minera Barrick Misquichilca ("Barrick") as well as another concession (Invicta II) obtained by IMC through an acquisition and staking program undertaken prior to the Company's AAG acquisition.

After the acquisition of Invicta by the Company in October 2012, costs associated with Invicta were expensed as exploration expenditures up to and including July 2017. Beginning in August 2017, such expenditures were capitalized to mineral property under development as management determined that with the receipt of Tranche 1 of the PLI Financing, the project was able to proceed to construction and pre-production.

The components of the Invicta mineral property under development costs are as follows:

In thousands of dollars	**Acquisition Costs $**	**Concession Fees $**	**Infra-structure $**	**Community $**	**Project Admin $**	**Total $**
Cost						
Balance, December 31, 2017	11,714	59	816	633	18	13,240
Additions	–	38	1,729	275	223	2,265
Foreign exchange	337	2	55	21	4	419
Balance, March 31, 2018	12,051	99	2,600	929	245	15,924

7 Related party transactions

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

(a) Related party expenditures

During the three months ended March 31, 2018, the Company paid $10,000 for shareholder and investor relations services to Havilah Holdings Inc. ("Havilah"), a company wholly-owned by Geoff Courtnall.

Subsequent to March 31, 2018, the Company paid companies controlled by a related party $61,000 in April 2018 as full and complete payment of advances made in 2017.

(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:

In thousands of dollars	**2018 $**	**2018 $**
Salaries and benefits	69	32
Share-based compensation	99	43
Total key management compensation	168	75

(c) Due to/from 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 March 31, 2018:

i. $12,000 was payable to an officer, director and a company controlled by a related party for unpaid services rendered;
ii. $4,698 was payable to companies controlled by a director of the Company for interest accrued and payable for advances made; and
iii. $550,000 was payable to a former CEO of the Company pursuant to a March 2018 settlement agreement between the parties, of which $275,000 is in Due to Related Parties (and was paid in April 2018), and the remaining $275,000 is in Other Liability (payable in April 2019).

8 Loans

Bridge Loan 2 ("BL2")

Effective January 12, 2017 ("Closing Date"), the Company completed a bridge loan financing for gross proceeds of $300,000 with a group of third-party individuals and Insiders of the Company. No finders' fees were paid in connection with this bridge loan.

BL2 is unsecured and bears simple interest at the rate of twelve percent (12%) per annum, calculated and payable semi-annually, with the first interest payment due on June 30, 2017 and each 6 months thereafter.

The BL2 principal and accrued and unpaid interest is payable in full on or before the earlier to occur of: (i) three months after the Company receives an advance of funds of at least $8.0 million in new financing, if the noteholder requests repayment of BL2; and (ii) the date that is two years after the Closing Date (being January 12, 2019).

In May 2018, the Company paid $219,000 in principal and accrued interest to noteholders who requested repayment in accordance with the terms of BL2.

Pursuant to the closing of BL2, the Company issued share purchase warrants ("BL2 Warrants") – see Note 12.

The recorded value of the BL2 balance as at March 31, 2018 is partially accreted and included in Current Liabilities on the consolidated statements of financial statements of financial position is as follows:

In thousands of dollars	Liability $	Equity $
Balance, January 1, 2017	–	–
BL2 proceeds	300	–
Fair value of BL2 Warrants issued	(147)	147
BL2 issue costs allocated	(1)	(1)
Loan accretion	59	–
Balance, December 31, 2017	211	146
Accretion	19	–
Balance, March 31, 2018	230	146

Bridge Loan 3 ("BL3")

Effective June 30, 2017 ("Effective Date"), the Company completed a bridge loan financing for gross proceeds of $600,000 with a group of third-party individuals and Insiders of the Company. No finders' fees were paid in connection with this bridge loan.

BL3 is unsecured and bears simple interest at the rate of twelve percent (12%) per annum, calculated and payable semi-annually.

The BL3 principal and accrued and unpaid interest is payable in full on or before: (i) three months after the Company receives any additional and/or new financing of at least $4.0 million, if the noteholder requests repayment of BL3; or (ii) the date that is six months after the Effective Date, whichever is the earlier. The Company's directors subsequently extended the term of the BL3 loan and the BL3 Warrants to June 30, 2019, subject to regulatory approval, which is still outstanding.

In May 2018, the Company paid $156,000 in principal and accrued interest to noteholders who requested repayment in accordance with the terms of BL3.

Pursuant to the closing of BL3, the Company issued share purchase warrants ("BL3 Warrants") – see Note 12.

The recorded value of the BL3 balance as at March 31, 2018 is fully accreted and included in Current Liabilities on the consolidated statements of financial statements of financial position, as follows:

In thousands of dollars	Liability $	Equity $
Balance, January 1, 2017	–	–
BL3 proceeds	600	–
Fair value of BL3 Warrants issued	(185)	185
BL3 issue costs allocated	(2)	(1)
Loan accretion	187	–
Balance, December 31, 2017 and March 31, 2018	600	184

9 Deferred revenue

Management has determined that the net proceeds from the Invicta financing received from PLI, less any Other Metals Option value, for the future delivery of gold ounces from production at the Invicta Project at contractual prices meet the criteria for deferred revenue.

As at March 31, 2018, all of the three Tranches have been received, with the estimated $2,471,000 fair value of the Other Metals Option currently included in Deferred Revenue.

Invicta financing

By agreement dated June 30, 2017 and amended August 2, 2017, the Company executed the PLI Financing Agreement with PLI to fund the completion of development, and initiate production, at its Invicta Gold Development Project ("Invicta"). PLI is an investment vehicle controlled by Pandion Mine Finance, LLC.

The gross proceeds received was US$7 Million, payable in three tranches of US$2.5 Million ("Tranche 1", received in August 2017), US$2.0 Million ("Tranche 2", received in November 2017) and US$2.5 Million ("Tranche 3", received in February 2018).

Each Tranche has a grace period of 15 months after which the Company will deliver to PLI a total of 22,680 ounces of gold over the subsequent 45 months. For the repayment ounces, the Company will receive an amount per ounce of gold equal to the market price at the time, less a fixed discount. After the tranches have been repaid, the Company will have no further obligations under the PLI Financing Agreement. During the term of the PLI Financing Agreement, PLI will also share in the upside on any increase in certain metal prices above the base spot price established in the PLI Financing Agreement. See Note 10.

The Company has the right to buy out and terminate the PLI Financing Agreement at any time and the Company's obligations under this agreement are secured by a first charge over all of the Company's assets.

Concurrent with the receipt of Tranche 1, one-time upfront fees of US$900,000 were paid to PLI and netted from Tranche 1 as required under the PLI Financing Agreement.

Additionally, pursuant to finder's fee and advisory agreements entered into with Red Cloud Capital Markets and KLR Capital (the "Agents"), the Company incurred the following financing fees as regards Tranche 3, which were expensed during the three months ended March 31, 2018:

1. Cash consideration for US$200,000 ("Agents' Fees"), equivalent to 8% of the funds received; and

2. Agents' Warrants equivalent to 1% of the funds received, with an exercise price of $0.255, and a two-year term expiring on February 9, 2020, respectively (See Note 12 (b)).

As at March 31, 2018, deferred revenue of $2,471,000 (US$1,916,000) is comprised as follows:

	Three months ended March 31, 2018		**Year ended December 31, 2017**	
In thousands of dollars	**CAD $**	**USD $**	**CAD $**	**USD $**
Opening balance	1,177	938	–	–
Tranches, net	3,224	2,500	4,531	3,600
Less: Other metals derivative liability	(2,049)	(1,589)	(3,416)	(2,723)
Financing fee accretion	85	67	79	61
Foreign exchange	34	–	(17)	–
Closing balance	2,471	1,916	1,177	938

The related Agents' Fees and a Black Scholes calculation of the Agents' Warrants total $271,000 and are included in financing expenses in the statement of loss.

(presented in Canadian Dollars)

10 Metals derivative liability

The metals derivative liability was determined to be a distinct and separate obligation under the PLI Financing Agreement as it provides some upside to PLI in the event that prices for non-gold metals (specifically silver, copper, lead, and zinc) exceed baseline levels set on inception of the agreement, noting this relates only to production of metals at Invicta once commercial production is achieved.

Consequently, the metals derivative liability is measured and accounted for separately from the related PLI prepayment deferred revenue (see Note 9).

Calculation of the metals derivative liability uses the Black-Scholes option-pricing model, with valuation at both inception and period ends, whereby the following assumptions were applied for Tranche 2 and the revaluation of Tranche 1 during the period ended December 31, 2017:

	Silver (oz)	Copper (tonne)	Lead (tonne)	Zinc (tonne)
Quantity	115,736	777	620	569
Metal price ($ per unit)	US$16.99	US$5,886	US$2,496	US$3,318
Exercise price ($ per unit)	US$15.62	US$5,497	US$2,051	US$2,453
Risk free interest rate (%)	1.82%	1.82%	1.82%	1.82%
Expected life (years)	5.25	5.25	5.25	5.25
Expected volatility (%)	24.9%	18.8%	21.7%	19.0%

The following assumptions were applied to Tranche 3 and the revaluation of Tranche 1 and Tranche 2 as at March 31, 2018:

	Silver (oz)	Copper (tonne)	Lead (tonne)	Zinc (tonne)
Quantity	180,034	1,209	964	885
Metal price ($ per unit)	US$16.22	US$6,038	US$3,297	US$3,278
Exercise price ($ per unit)	US$15.62	US$5,497	US$2,051	US$2,453
Risk free interest rate (%)	2.18%	2.18%	2.18%	2.18%
Expected life (years)	5.00	5.00	5.00	5.00
Expected volatility (%)	24.7%	18.9%	21.1%	17.9%

The fair value of the Metals Derivative Liability is comprised of as follows:

	At March 31 2018		At December 31, 2017	
In thousands of dollars	**CAD $**	**USD $**	**CAD $**	**USD $**
Opening balance	3,627	2,891	–	–
Additions: Tranche derivative liability	2,050	1,590	3,416	2,723
Revaluation	(38)	(30)	210	168
Foreign exchange	100	–	1	–
Closing balance	5,739	4,451	3,627	2,891
Current portion of metals derivative liability	656	509	259	206
Long-term portion of metals derivative liability	5,083	3,942	3,368	2,685
Total	5,739	4,451	3,627	2,891

11 Reclamation and closure cost obligations

When the Company exhausts or abandons a mining property or an exploration site, it is required to undertake certain reclamation and closure procedures under the terms of the legislation enacted by the government of Peru. Consequently, the Company records a reclamation provision.

The provision has been measured at the estimated value of future rehabilitation costs and an estimated mine life of 9 years plus an additional 4 years of post-mine life rehabilitation. The estimated cash-flows were discounted to present value using a risk-free discount rate (adjusted to inflation) of 7.2%. Periodically the Company reviews the estimate of future costs of the requisite reclamation and closure work required by current legislative standards. The current total estimate for all properties anticipates undiscounted future cash outflows to meet required legislative standards for reclamation and closure work in the amount of $644,000 (US $805,000 undiscounted). These future cash outflows have been discounted at the risk-free interest rate considered applicable in Peru, where the Company's properties are located.

12 Equity

a) Common shares

Authorized: unlimited with no par value.

During the three months ended March 31, 2018, 1,956,430 common shares were issued for proceeds of $217,965 from the exercise of 1,616,430 share purchase warrants at a weighted average price of $0.13 per share and 340,000 stock options were exercised for proceeds of $23,000 at a weighted average price of $0.07 per share.

Subsequent to March 31, 2018, 993,750 common shares were issued for proceeds of $140,000 from the exercise of 900,000 share purchase warrants at a weighted average price of $0.155 per share and 93,750 stock options were exercised for proceeds of $9,450 at a weighted average price of $0.10 per share.

(presented in Canadian Dollars)

b) Share purchase warrants

The Company has the following share purchase warrants outstanding as at March 31, 2018:

		Outstanding and Exercisable		
Year of Expiry	**Range of exercise prices $**	**Number of warrants outstanding**	**Weighted average exercise price $**	**Weighted average remaining contractual life (years)**
2018	0.10 – 0.20	14,484,425	0.16	0.3
2019	0.10 – 0.20	8,946,542	0.12	0.9
2020	0.23 – 0.26	2,122,780	0.23	2.1
	0.10 – 0.26	25,553,754	0.15	0.7

Following is a continuity schedule for the Company's warrants, for the three months ended March 31, 2018:

	2018		2017	
	Number of share purchase warrants	**Weighted average exercise price $**	**Number of share purchase warrants**	**Weighted average exercise price $**
Warrants outstanding – beginning of period	27,047,397	0.15	28,173,355	0.19
Bridge Loan 1 Warrants issued	–	–	1,500,000	0.20
Agent's Warrants issued	122,787	0.26		
Warrants exercised	(1,616,430)	0.13	(200,000)	0.10
Warrants outstanding – end of period	25,553,754	0.15	29,473,355	0.19

A total of 15,550,855 warrants issued prior to March 2017, having an average exercise price of $0.13, are subject to an acceleration clause such that in the event that the closing price of Lupaka Gold's common shares is greater than $0.30 for a period of 20 consecutive trading days, Lupaka Gold may accelerate the expiry date of these warrants by giving notice to the holders thereof through the issuance of a press release. In such case, these warrants will expire on the 30th day after the date on which such notice is given.

BL1 Warrants

Pursuant to the closing of BL1 in June 2017, the Company issued to the lenders an aggregate of 3,750,000 non-transferrable warrants (the "BL1 Warrants"). Each BL1 Warrant, which expires June 30, 2018, entitles the holder to purchase 1 common share of the Company at a price of C$0.20 per share.

(presented in Canadian Dollars)

The weighted average fair value of the BL2 Warrants was estimated to be $0.09 per warrant at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

Exercise price ($)	0.20
Risk free interest rate (%)	0.52
Expected life (years)	1.0
Expected volatility (%)	155.0

As at March 31, 2018, there were 3,750,000 BL1 warrants outstanding.

BL2 Warrants

Pursuant to the closing of BL2 in January 2017, the Company issued to the lenders an aggregate of 1,500,000 non-transferrable warrants (the "BL2 Warrants"), such number being equal to the amount of the Loan divided by $0.20. Each BL2 Warrant, which expires January 12, 2019, entitles the holder to purchase one common share of the Company at a price of C$0.20 per share.

The weighted average fair value of the BL2 Warrants was estimated to be $0.10 per warrant at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

Exercise price ($)	0.20
Risk free interest rate (%)	0.77
Expected life (years)	1.5
Expected volatility (%)	145.4

As at March 31, 2018, there were 1,500,000 BL2 warrants outstanding.

May 2017 Warrants

Pursuant to the closing of the May 2017 Unit, the Company issued 2,000,000 May 2017 Warrants. Each May 2017 Warrant entitles the holder to purchase one additional common share, exercisable at $0.23 for a period of thirty-six months from closing.

The weighted average fair value of the May 2017 Warrants was estimated to be $0.06 per warrant at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

Exercise price ($)	0.23
Risk free interest rate (%)	0.72
Expected life (years)	1.5
Expected volatility (%)	134.4

As at March 31, 2018, there were 2,000,000 May 2017 Warrants outstanding.

BL3 Warrants

Pursuant to the closing of BL3 in June 2017, the Company issued to the lenders an aggregate of 4,000,000 non-transferrable warrants (the "BL3 Warrants"), such number being equal to the amount of the Loan divided by $0.15. Each BL3 Warrant, which expires June 30, 2018, entitles the holder to purchase one common share of the Company at a price of C$0.15 per share.

The Company's directors subsequently extended the term of the BL3 Warrants to June 30, 2019, subject to regulatory approval.

(presented in Canadian Dollars)

The weighted average fair value of the BL3 Warrants was estimated to be $0.05 per warrant at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

Exercise price ($)	0.15
Risk free interest rate (%)	1.09
Expected life (years)	0.75
Expected volatility (%)	112.1

As at March31, 2018, there were 4,000,000 BL3 Warrants outstanding.

Agents' Warrants

In conjunction with the receipt of Tranche 1 in August 2017 (see Note 10), the Company issued 100,844 Agent Warrants with an exercise price of $0.20, for a period of two years, expiring on August 4, 2019. The value of the Advisor Warrants is equal to 1% of the funds received, with an exercise price equal to 30% above the 5-day VWAP of the Company's shares.

The weighted average fair value of the Agents' Warrants was estimated to be $0.06 per warrant at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

Exercise price ($)	0.20
Risk free interest rate (%)	1.34
Expected life (years)	1.5
Expected volatility (%)	115.2

In conjunction with the receipt of Tranche 2 in November 2017, the Company issued 145,698 Agent Warrants with an exercise price of $0.175, for a period of two years, expiring on November 7, 2019. The value of the Advisor Warrants is equal to 1% of the funds received, with an exercise price equal to 30% above the 5-day VWAP of the Company's shares.

The weighted average fair value of the Agents' Warrants was estimated to be $0.06 per warrant at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

Exercise price ($)	0.175
Risk free interest rate (%)	1.40
Expected life (years)	1.5
Expected volatility (%)	111.8

In conjunction with the receipt of Tranche 3 in February 2018, the Company issued 122,787 Agent Warrants with an exercise price of $0.255, for a period of two years, expiring on February 9, 2020. The value of the Advisor Warrants is equal to 1% of the funds received, with an exercise price equal to 30% above the 5-day VWAP of the Company's shares.

The weighted average fair value of the Agents' Warrants was estimated to be $0.15 per warrant at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

Exercise price ($)	0.26
Risk free interest rate (%)	1.77
Expected life (years)	2.0
Expected volatility (%)	118.7

(presented in Canadian Dollars)

c) Share options

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

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

Vesting terms are determined for each grant by the Company's Board of Directors. The options granted in the three months ended March 31, 2018 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:

	2018		**2017**	
	Number of share options	**Weighted average exercise price $**	**Number of share options**	**Weighted average exercise price $**
Options outstanding – beginning of period	9,425,000	0.15	8,672,500	0.18
Granted	900,000	0.23	–	–
Exercised	(340,000)	0.07	–	–
Forfeited	(131,250)	0.16	(7,500)	0.16
Expired	(250,000)	0.40	–	–
Options outstanding – end of period	9,603,750	0.15	8,665,000	0.18
Options exercisable – end of period	6,868,750	0.15	6,253,750	0.20

The weighted average fair value of the share options granted in the three-month period ended March 31, 2018 was estimated to be $0.17 per option at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

	2018
Weighted average exercise price ($)	0.23
Dividend yield	–
Risk free interest rate (%)	1.9
Expected life (years)	3.0
Pre-vest forfeiture rate (%)	5.0
Expected volatility (%)	127.4

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 the Company's shares as an expectation of the Company's future volatility.

Non-cash share-based compensation costs of $123,000 have been recorded for the three months ended March 31, 2018 (March 31, 2017 – $70,000), and allocated as follows:

In thousands of dollars	**2018** **$**	**2017** **$**
Salaries and benefits	53	50
Shareholder and investor relations	7	8
Project administration	–	8
Camp and related	–	4
Development costs (capitalized)		
Project Administration	56	–
Community	7	–
Total share-based compensation	123	70

The following table summarizes information about share options outstanding and exercisable at March 31, 2018:

		Outstanding			**Exercisable**		
Year of Expiry	**Range of exercise prices $**	**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)**
2018	0.24 – 0.32	1,155,000	0.24	0.6	1,155,000	0.24	0.6
2019	0.13	1,060,000	0.13	1.6	1,060,000	0.13	1.6
2020	0.06 – 0.15	1,910,000	0.06	2.6	1,910,000	0.06	2.6
2021	0.16 – 0.18	2,293,750	0.16	3.6	1,687,500	0.16	3.9
2022	0.15	2,360,000	0.15	4.6	850,000	0.15	4.5
2023	0.23 – 0.24	825,000	0.23	4.9	206,250	0.23	4.9
	0.06 – 0.32	9,603,750	0.15	3.2	6,868,750	0.14	2.7

13 Segmented information

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

	Three months ended March 31	
	2018	**2017**
In thousands of dollars	**$**	**$**
Loss		
Canada	583	205
Peru	170	314
	753	519

	As at March 31	
	2018	**2017**
In thousands of dollars	**$**	**$**
Total assets		
Canada	5,984	30
Peru	16,631	29,633
	22,615	29,633

14 Financing expenses

	As at March 31	
	2018	**2017**
In thousands of dollars	**$**	**$**
Financing expenses	356	-
Foreign exchange gain	(124)	(9)
Interest expense	37	30
Loan accretion	19	50
Total	288	71