CANDENTE
COPPER CORP

# Candente Copper Corp.
## Interim Condensed Consolidated Financial Statements
### For the nine months ended September 30, 2019 and 2018 (unaudited)
**(Expressed in United States dollars, unless otherwise noted)**

## NOTICE

The accompanying unaudited interim condensed consolidated financial statements of Candente Copper Corp. (the “Company”) 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 financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

# Candente Copper Corp.
## Interim condensed consolidated statements of financial position
### As at September 30, 2019 and December 31, 2018 (unaudited)
(Expressed in United States dollars unless otherwise noted)

| | Notes | | September 30, 2019 | | December 31, 2018 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash | | $ | 12,287 | $ | 7,882 |
| Receivable for sale of a subsidiary | 4 | | 102,814 | | 260,003 |
| Prepaid expenses and deposits | | | 12,504 | | 13,843 |
| **Total current assets** | | | 127,605 | | 281,728 |
| | | | | | |
| **Non-current assets** | | | | | |
| Receivables | 11 | | 279,738 | | 558,358 |
| Investments | 5 | | 104,515 | | 81,107 |
| Unproven mineral right interests | 6 | | 63,554,838 | | 63,226,793 |
| Equipment | 7 | | 93,321 | | 111,003 |
| **Total non-current assets** | | | 64,032,412 | | 63,977,261 |
| **Total assets** | | $ | 64,160,017 | $ | 64,258,989 |
| | | | | | |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade payables and accrued liabilities | 8,11 | $ | 1,240,245 | $ | 1,465,799 |
| **Total current liabilities** | | | 1,240,245 | | 1,465,799 |
| | | | | | |
| **Equity** | | | | | |
| Share capital | 9 | | 84,732,929 | | 84,161,013 |
| Reserves | 9 | | 12,922,544 | | 12,880,403 |
| Accumulated deficit | | | (34,735,701) | | (34,248,226) |
| **Total equity** | | | 62,919,772 | | 62,793,190 |
| **Total liabilities and equity** | | $ | 64,160,017 | $ | 64,258,989 |

**General information and going concern (Note 1)**
**Commitments (Note 10)**

Approved on behalf of the Board of Directors on November 12, 2019

**(signed) Andres Milla** — **Director**

**(signed) George Elliott** — **Director**

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

# Candente Copper Corp.
## Interim condensed consolidated statements of comprehensive loss
### For the nine months ended September 30, 2019 and 2018 (unaudited)
(Expressed in United States dollars unless otherwise noted)

| | Notes | Three months ended September 2019 | 2018 | Nine months ended September 2019 | 2018 |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| **General and administrative expenses** | **12** | **$ 106,070** | $ 85,044 | **$ 364,535** | $ 297,617 |
| **Other expenses** | | | | | |
| Gain on settlement of payables | **9** | **(300)** | (21,545) | **(90,871)** | (95,113) |
| Fair value gain on marketable securities | **5** | **20,689** | - | **(20,826)** | - |
| Gain on forgiveness of payable | | **-** | 104 | **-** | (13,979) |
| Gain on sale of vehicles | | **-** | - | **(6,871)** | - |
| Impairment of related party receivable | **11** | **-** | - | **251,217** | - |
| Revaluation gain on discounted receivable | | **-** | 3,305 | **-** | (5,288) |
| (Gain) loss on foreign exchange | | **46,838** | 24,170 | **18,027** | 27,941 |
| Interest income | **4** | **(6,473)** | (17,266) | **(27,736)** | (66,650) |
| **Net loss** | | **166,824** | 73,812 | **487,475** | 144,528 |
| Other comprehensive loss | | | | | |
| Items that will not be reclassified to profit or loss: | | | | | |
| Change in fair value of investment | | **-** | 35,992 | **-** | 21,233 |
| Exchange difference on translation of parent | | **(14,981)** | (39,331) | **(19,802)** | 41,047 |
| | | **(14,981)** | (3,339) | **(19,802)** | 62,280 |
| **Comprehensive loss** | | **$ 151,843** | $ 70,473 | **$ 467,673** | $ 206,808 |
| **Loss per share attributable to shareholders:** | | | | | |
| **basic and diluted** | | **$ (0.00)** | $ (0.00) | **$ 0.00** | $ (0.00) |
| **Weighted average number of common shares outstanding: basic and diluted** | | **195,005,268** | 180,465,054 | **192,527,182** | 179,185,578 |

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

# Candente Copper Corp.
# Interim condensed consolidated statements of changes in equity
**For the nine months ended September 30, 2019 and 2018 (unaudited)**
(Expressed in United States dollars unless otherwise noted)

| | | Share Capital | | Reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Notes | Total common shares | Share capital | Equity settled employee compensation and warrants | Foreign currency | Available for sale assets | Total reserves | Deficit | Total |
| Balance at January 1, 2018 | | 178,201,529 | $ 83,941,785 | $ 13,339,380 | $ (409,945) | $ 42,467 | $ 12,971,902 | $ (33,911,273) | $ 63,002,414 |
| Common shares issued for debt | | 1,434,276 | 105,446 | - | - | - | - | - | 105,446 |
| Common shares issued for exercise of options | | 1,000,000 | 65,664 | - | - | - | - | - | 65,664 |
| Share issuance costs | | - | (9,426) | - | - | - | - | - | (9,426) |
| Reallocation of fair value of options exercised | | - | 57,604 | (57,604) | - | - | (57,604) | - | - |
| Share-based payments | | - | - | 14,158 | - | - | 14,158 | - | 14,158 |
| Net loss | | - | - | - | - | - | - | (144,528) | (144,528) |
| Change in fair value of investment | | - | - | - | - | (21,233) | (21,233) | - | (21,233) |
| Cumulative translation adjustment | | - | - | - | (41,047) | - | (41,047) | - | (41,047) |
| Balance at September 30, 2018 | | 180,635,805 | $ 84,161,073 | $ 13,295,934 | $ (450,992) | $ 21,234 | $ 12,866,176 | $ (34,055,801) | $ 62,971,448 |
| **Balance at January 1, 2019** | | **180,635,805** | **$ 84,161,013** | **$ 13,351,087** | **$ (468,954)** | **$ (1,730)** | **$ 12,880,403** | **$ (34,248,226)** | **$ 62,793,190** |
| Common shares issued for debt | **9** | **4,476,463** | **152,908** | **-** | **-** | **-** | **-** | **-** | **152,908** |
| Common shares issued for financing | **9** | **9,550,000** | **361,184** | **21,035** | **-** | **-** | **21,035** | **-** | **382,219** |
| Common shares issued upon exercise of options | **9** | **175,000** | **17,285** | **-** | **-** | **-** | **-** | **-** | **17,285** |
| Reallocation of fair value of options | | **-** | **9,161** | **(9,161)** | **-** | **-** | **(9,161)** | **-** | **-** |
| Share issuance costs | **9** | **-** | **(19,031)** | **-** | **-** | **-** | **-** | **-** | **(19,031)** |
| Finders shares issued | **9** | **168,000** | **6,335** | **-** | **-** | **-** | **-** | **-** | **6,335** |
| Finders warrants issued | **9** | **-** | **(1,609)** | **1,609** | **-** | **-** | **1,609** | **-** | **-** |
| Share-based payments | **9** | **-** | **-** | **94,143** | **-** | **-** | **94,143** | **-** | **94,143** |
| Expiry of warrants | **9** | **-** | **45,683** | **(45,683)** | **-** | **-** | **(45,683)** | **-** | **-** |
| Net loss | | **-** | **-** | **-** | **-** | **-** | **-** | **(487,475)** | **(487,475)** |
| Cumulative translation adjustment | | **-** | **-** | **-** | **(19,802)** | **-** | **(19,802)** | **-** | **(19,802)** |
| **Balance at Serptember 30, 2019** | | **195,005,268** | **$ 84,732,929** | **$ 13,413,030** | **$ (488,756)** | **$ (1,730)** | **$ 12,922,544** | **$ (34,735,701)** | **$ 62,919,772** |

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

# Candente Copper Corp.
## Interim condensed consolidated statements of cash flows
**For the nine months ended September 30, 2019 and 2018 (unaudited)**
(Expressed in United States dollars unless otherwise noted)

| | Nine months ended September 30, 2019 | 2018 |
|---|---|---|
| **Cash provided by (used in):** | | |
| Income (loss) for the period | $ **(487,475)** | $ (144,528) |
| Items not affecting cash: | | |
| Amortization | **15,031** | 20,302 |
| Share-based payments | **94,143** | 14,158 |
| Shares issued for consulting fees | **17,285** | - |
| Impairment of related party receivable | **251,217** | - |
| Revaluation gain on discounted receivable | **-** | (5,288) |
| Gain on settlement of payables | **(90,871)** | (95,113) |
| Gain on forgiveness of payables | **-** | (13,979) |
| Fair value gain on marketable securities | **(20,826)** | - |
| Gain on sale of vehicles | **(6,871)** | - |
| Interest income | **(27,736)** | (66,648) |
| Foreign exchange | **(18,403)** | (27,038) |
| Changes in non-cash working capital items: | | |
| Receivables | **36,649** | (1,362) |
| Prepaid expenses and deposits | **1,339** | (3,112) |
| Accounts payable and accrued liabilities | **43,749** | (96,455) |
| **Net cash used in operating activities** | **(192,769)** | (419,063) |
| **Investing** | | |
| Addition to unproven mineral rights interests | **(413,181)** | (368,591) |
| Payments received for sale of subsidiary | **185,000** | 352,000 |
| Changes in value added taxes paid | **4,103** | (3,039) |
| **Net cash used in investing activities** | **(224,078)** | (19,630) |
| **Financing** | | |
| Issuance of common shares for cash | **288,619** | - |
| Share issuance costs | **(2,469)** | (2,286) |
| Exercise of options | **-** | 65,664 |
| Advances from related parties | **135,102** | - |
| **Net cash provided by financing activities** | **421,252** | 63,378 |
| **Net change in cash** | **4,405** | (375,315) |
| **Cash at beginning of period** | **7,882** | 392,453 |
| **Cash at end of period** | $ **12,287** | $ 17,138 |

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

(Expressed in United States dollars unless otherwise noted)

### 1. General Information and Going Concern

Candente Copper Corp. and its subsidiaries (the “Company”) are engaged in the exploration of its mining properties located in Peru. Its principal property is the Cañariaco Copper Project in the District of Lambayeque. The Company was incorporated on May 1, 1997 under the Business Corporation Act of British Columbia and its principal office is located at Suite 1100-1111 Melville Street, Vancouver British Columbia, V6E 3V6.

The principal subsidiaries of the Company as at September 30, 2019 are as follows:

| Subsidiary | Interest | Functional currency |
|---|---|---|
| Canariaco Copper Peru S.A. | 100% | US Dollars |
| Canariaco Copper (BVI) Corp. | 100% | US Dollars |
| Inversiones Mineras Las Palmas S.A. | 100% | US Dollars |
| Cobriza Metals Corp. | 100% | CDN Dollars |
| Candente Resource (BVI) Corp. | 100% | US Dollars |
| Cobriza Metals Peru S.A. | 100% | US Dollars |

The Company’s common shares are listed on the Toronto Stock Exchange (“TSX”) and the Lima Stock Exchange under the trading symbol “DNT”. The Company’s share options and warrants are not listed.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 12, 2019.

These interim condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. For the nine months ended September 30, 2019, the Company incurred an operating loss of $487,475. As at September 30, 2019, the Company has $34,735,701 in cumulative losses since inception and current liabilities exceed current assets by $1,092,744. The Company does not generate cash flows from operations and accordingly, the Company will need to raise additional funds through the issuance of securities, resource secured debt or joint venture projects. Although, the Company has been successful in raising funds in the past there can be no assurance that the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. The Company is subject to sovereign risk, including political and economic instability, changes in existing government regulations relating to mining, as well as currency fluctuations and local inflation. These factors are material uncertainties that may cast significant doubt regarding the Company’s ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statement of financial position.

## 2. Statement of Compliance and Basis of Presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value.

These interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS issued by the IASB.

Certain comparative figures have been restated to conform to the current period's presentation.

## 3. New Accounting Standards

**Leases**

The Company adopted all of the requirements of IFRS 16 Leases ("IFRS 16") as of January 1, 2019. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. As the Company has no leases, the adoption of IFRS 16 had no effect on the Company's interim condensed consolidated financial statements.

Other accounting pronouncements with future effective dates are either not applicable or are not expected to have a material impact on the Company's consolidated financial statements.

## 4. Receivable for Sale of a Subsidiary

On November 16, 2017, the Company sold one of its subsidiaries, Compania Minera Candente S.A. ("Minera Candente") for proceeds of $756,922. The proceeds were due as follows:

- $100,000 due immediately (received);
- Fourteen monthly payments of $44,000 commencing December 2017; and
- One payment of $40,922 due in fifteen months from date of sale.

The receivable was initially recorded at face value of $656,922 less a discount of $98,592 for a net amount of $558,330. The receivable was revalued twice during the year ended December 31, 2018 due to changes in the payment terms. The revaluations resulted in a net gain of $5,255.

Payment terms, established in August 2018, included 12 monthly payments of $20,000 starting in August 2018, three additional quarterly payments of $48,000, and a final payment of $88,922 on March 24, 2019. A new agreement was reached during March 2019 and a revised payment schedule extends to January 2020. The balance outstanding at September 30, 2019 is $102,814.

The receivable is discounted using a rate of 20%, which is the estimated market rate of interest on equivalent third-party financing. During the period ended September 30, 2019, the discount was amortized by $27,736 which was included in interest income.

(Expressed in United States dollars unless otherwise noted)

**4. Receivable for Sale of a Subsidiary (continued)**

Transactions for the nine months ended September 30, 2019 and the year ended December 31, 2018 are as follows:

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Opening Balance | $ | 260,003 | $ | 572,454 |
| Payments received | | (185,000) | | (392,000) |
| Revaluation gain | | - | | 5,255 |
| Interest | | 27,736 | | 79,715 |
| Foreign exchange adjustment | | 75 | | (5,421) |
| Closing Balance | $ | 102,814 | $ | 260,003 |

**5. Investments**

At September 30, 2019, the Company held 5,536,373 (December 31, 2018 - 5,536,373) shares of Candente Gold Corp. ("Candente Gold"), a company with common officers and directors. The closing share price was CDN$0.025 (December 31, 2018 - CDN$0.02) and the fair value of the Company's investment in Candente Gold was $104,515 (December 31, 2018 - $81,107). During the period ended September 30, 2019 the Company recognized an unrealized gain of $20,826 in the condensed consolidated statement of comprehensive loss. For the period ended September 30, 2018, the Company recognized an unrealized gain of $21,233 that was included in other comprehensive income.

(Expressed in United States dollars unless otherwise noted)

### 6. Unproven Mineral Right Interests

As of September 30, 2019, the Company's mineral properties consist of the following:

| Cañariaco Property, located in Lambayeque, Peru | | Balance as at January 1, 2019 | | Mining property expenditures | | **Balance as at September 30, 2019** |
|---|---|---|---|---|---|---|
| Mineral rights acquisition and surface access | $ | 1,904,301 | $ | 98,659 | $ | **2,002,960** |
| Community initiatives | | 4,633,704 | | 66,937 | | **4,700,641** |
| Drilling | | 9,770,307 | | - | | **9,770,307** |
| Environmental health and safety | | 1,319,205 | | - | | **1,319,205** |
| Exploration | | 9,904,782 | | 69,003 | | **9,973,785** |
| Feasibility study | | 10,884,797 | | - | | **10,884,797** |
| Project field support and administration | | 22,898,480 | | 88,831 | | **22,987,311** |
| Cost recoveries | | (50,143) | | (8,100) | | **(58,243)** |
| Royalty payments received | | (505,921) | | - | | **(505,921)** |
| | $ | 60,759,512 | $ | 315,330 | $ | **61,074,842** |
| Cobriza Metals Peruvian properties | | | | | | |
| Mineral rights acquisition and surface access | $ | 1,188,160 | $ | 14,700 | $ | **1,202,860** |
| Concession and surface right acquisition costs | | 157,912 | | - | | **157,912** |
| Community initiatives | | 18,242 | | - | | **18,242** |
| Environmental health and safety | | 15,785 | | - | | **15,785** |
| Exploration | | 97,025 | | - | | **97,025** |
| Project management and field support | | 45,993 | | 2,118 | | **48,111** |
| Option payments received | | (350,000) | | - | | **(350,000)** |
| Impairment of unproven mineral rights interest | | (466,359) | | - | | **(466,359)** |
| | $ | 706,758 | $ | 16,818 | $ | **723,576** |
| Total mineral properties before value-added tax credit | $ | 61,466,270 | $ | 332,148 | $ | **61,798,418** |
| Value-added tax credit ** | $ | 1,760,523 | $ | (4,103) | $ | **1,756,420** |
| Total mineral properties | $ | 63,226,793 | $ | 328,045 | $ | **63,554,838** |

**Expenses incurred by the Company in Peru, including exploration expenses, are subject to Peruvian Value Added Tax ("VAT"). Given that the Company is in the exploration stage and has no sources of revenue, the VAT is not currently refundable to the Company, but can be used in the future to offset amounts due to the Peruvian taxation authorities by the company resulting from VAT charged to clients on future sales. The VAT has been included as part of mining properties.

On June 26, 2017, the Company entered into an option agreement to option its Don Gregorio copper-gold porphyry project, located in Jaen Province, Peru, with Plan B Minerals Corp. ("Plan B"). The Don Gregorio property is one of the projects held by Cobriza Metals Peru S.A. ("Cobriza").

In accordance with the option agreement, Plan B has the right to earn a 60% interest in the Don Gregorio property from the Company by making staged payments totaling $500,000 to the Company, making a payment of $8,500 (paid) and drilling 10,000 metres within 3 years of receiving drilling permits. To date, the Company has received $108,100 with respect to this transaction. One-half of the aforementioned payments are to be used to fund the Company's work in community engagement and agreements. The Company is to receive $100,000 on or before 30 days of receipt of drill permits for the first phase drill program, $100,000 within 30 days of completing the first phase drill program (5,000 metres) and the final $200,000 within 60 days of completing the second phase drill program (an additional 5,000 metres).

(Expressed in United States dollars unless otherwise noted)

## 6. Unproven Mineral Right Interests (continued)

As of December 31, 2018, the Company's mineral properties consist of the following:

| Cañariaco Property, located in Lambayeque, Peru | | Balance as at January 1, 2018 | | Mining property expenditures | | **Balance as at December 31, 2018** |
|---|---|---|---|---|---|---|
| Mineral rights acquisition and surface access | $ | 1,782,746 | $ | 121,555 | $ | **1,904,301** |
| Community initiatives | | 4,557,460 | | 76,244 | | **4,633,704** |
| Drilling | | 9,770,307 | | - | | **9,770,307** |
| Environmental health and safety | | 1,314,537 | | 4,668 | | **1,319,205** |
| Exploration | | 9,836,224 | | 68,558 | | **9,904,782** |
| Feasibility study | | 10,884,797 | | - | | **10,884,797** |
| Project field support and administration | | 22,699,255 | | 199,225 | | **22,898,480** |
| Cost recoveries | | (8,500) | | (41,643) | | **(50,143)** |
| Royalty payments received | | (505,921) | | - | | **(505,921)** |
| | $ | 60,330,905 | $ | 428,607 | $ | **60,759,512** |
| | | | | | | |
| Cobriza Metals Peruvian properties | | | | | | |
| Mineral rights acquisition and surface access | $ | 1,167,460 | $ | 20,700 | $ | **1,188,160** |
| Concession and surface right acquisition costs | | 157,912 | | - | | **157,912** |
| Community initiatives | | 4,759 | | 13,483 | | **18,242** |
| Environmental health and safety | | 15,785 | | - | | **15,785** |
| Exploration | | 93,972 | | 3,053 | | **97,025** |
| Project management and field support | | 42,038 | | 3,955 | | **45,993** |
| Option payments received | | (350,000) | | - | | **(350,000)** |
| Impairment of unproven mineral rights interest | | (453,159) | | (13,200) | | **(466,359)** |
| | $ | 678,767 | $ | 27,991 | $ | **706,758** |
| Total mineral properties before value-added tax credit | $ | 61,009,672 | $ | 456,598 | $ | **61,466,270** |
| Value-added tax credit ** | $ | 1,780,567 | $ | (20,044) | $ | **1,760,523** |
| Total mineral properties | $ | 62,790,239 | $ | 436,554 | $ | **63,226,793** |

## 7. Equipment

| | | **Equipment** | | **Vehicles** | | **Leaseholds** | | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| **As at December 31, 2018** | $ | 605,609 | $ | 32,682 | $ | 8,120 | $ | 646,411 |
| Disposals | | - | | (4,173) | | - | | (4,173) |
| **As at September 30, 2019** | | 605,609 | | 28,509 | | 8,120 | | 642,238 |
| | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | |
| **As at December 31, 2018** | $ | (497,527) | $ | (29,761) | $ | (8,120) | $ | (535,408) |
| Disposals | | - | | 1,522 | | - | | 1,522 |
| Additions | | (14,761) | | (270) | | - | | (15,031) |
| **As at September 30, 2019** | $ | (512,288) | $ | (28,509) | $ | (8,120) | $ | (548,917) |
| | | | | | | | | |
| **Net book value** | | | | | | | | |
| As at December 31, 2018 | $ | 108,082 | $ | 2,921 | $ | - | $ | 111,003 |
| **As at September 30, 2019** | **$** | **93,321** | **$** | **-** | **$** | **-** | **$** | **93,321** |

(Expressed in United States dollars unless otherwise noted)

## 8. Trade Payables and Accrued Liabilities

| | | **September 30, 2019** | | December 31, 2018 |
|---|---|---|---|---|
| Trade payables | **$** | **182,186** | $ | 388,226 |
| Due to related parties (Note 11) | | **467,162** | | 357,347 |
| Accrued liabilities | | **590,897** | | 720,226 |
| | **$** | **1,240,245** | $ | 1,465,799 |

During the year ended December 31, 2018, the Company entered into an agreement with AMEC for the settlement of the trade liability for $839,954 included in the accounts payable of the Company's subsidiary, Canariaco.

Pursuant to the agreement, the Company is required to issue 2,638,771 common shares of the Company (issued) and to make a series of payments to AMEC as follows:

| | |
|---|---|
| Immediately upon signing | $ 50,000 |
| December 15, 2018 | 100,000 |
| June 30, 2019 (unpaid) | 375,000 |
| | $525,000 |

As at September 30, 2019, the Company had paid $150,000 and issued 2,638,771 shares with a deemed value of $141,750. The Company has been in touch with AMEC explaining plans for financing and ongoing negotiations and plans to complete the payment of the $375,000 still owing.

## 9. Share Capital

### a. Shares authorized

The Company has an unlimited number of common shares with no par value.

### b. Common shares issued

As at September 30, 2019, the Company had 195,005,268 (December 31, 2018 – 180,635,805) common shares issued and outstanding.

In March 2019, the Company completed a private placement financing, issuing 9,550,000 units at CDN$0.05 per unit for gross proceeds of CDN$477,500. Each unit consisted of one common share and one half of one common share purchase warrant whereby each whole warrant entitles the holder to purchase an additional common share of the Company at a price of CDN$0.09 for a period of two years from the date of issuance. Finders' fees of $2,274 (CDN$3,000), 168,000 shares with a fair value of $6,335 (CDN$8,400) and 84,000 warrants with a fair value of $1,609 (CDN$2,134) were issued in connection with the private placement.

On February 25, 2019, the Company issued 2,638,771 common shares to settle debt of $141,750 in accordance with the debt settlement agreement to settle liabilities owed by the Company's subsidiary, Cañariaco (Note 8). A gain on settlement of payables of $53,585 was recorded in connection with the issue of the shares.

On February 25, 2019, the Company issued 1,837,692 common shares to Energold Drilling Peru S.A.C. to settle debt of $98,718 in accordance with a debt settlement agreement entered into on January 11, 2019 to settle trade liabilities owed by the Company's subsidiary, Cañariaco. A gain on settlement of payables of $37,286 was recorded in connection with the issue of shares.

During the period ended September 30, 2019, 175,000 shares were issued pursuant to the exercise of stock options for proceeds of $17,285.

(Expressed in United States dollars unless otherwise noted)

**9. Share Capital (continued)**

**c. Share options**

The Company has an incentive share option plan (the "Plan"). Under the Plan, a total of 10% of the Company's outstanding common shares are reserved for the issuance of shares at the discretion of the Board of Directors. The terms of each option award are fixed by the Board of Directors at the time of grant. Share option awards have a maximum term of five years.

The changes in stock options during the period ended September 30, 2019 were as follows:

| | Number | Exercise Price (CDN$) |
|---|---|---|
| Balance, December 31, 2018 | 10,969,500 | 0.13 |
| Exercised | (175,000) | 0.13 |
| Issued | 3,500,000 | 0.05 |
| Expired | (2,119,500) | 0.30 |
| Cancelled | (1,585,000) | 0.15 |
| Balance, September 30, 2019 | 10,590,000 | 0.07 |

Total stock-based compensation for the period ended September 30, 2019 was $94,143 (Period ended September 30, 2018 – $14,158) relating to the vesting of options. Fair value at grant date of the stock options was measured based on the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility. The weighted-average assumptions used for the Black-Scholes option-pricing model of stock options granted during the period are as follows:

| | September 30, 2019 | September 30, 2018 |
|---|---|---|
| Risk-free interest rate | 1.46% | 2.23% |
| Expected life of options | 5 years | 5 years |
| Annualized volatility | 110.88% | 105.13% |
| Dividend rate | Nil | Nil |

Stock options outstanding at September 30, 2019 were as follows:

| | Exercisable | | Outstanding | | |
|---|---|---|---|---|---|
| Grant Date | Exercise Price (CDN$) | Number of Options | Exercise Price (CDN$) | Number of Options | Expiry Date |
| November 16, 2015 | $0.05 | 1,540,000 | $0.05 | 1,540,000 | November 16, 2020 |
| May 20, 2016 | $0.11 | 2,500,000 | $0.11 | 2,500,000 | May 20, 2026 |
| April 2, 2018 | $0.09 | 100,000 | $0.09 | 100,000 | April 2, 2023 |
| October 1, 2018 | $0.07 | 300,000 | $0.07 | 300,000 | October 1, 2023 |
| October 12, 2018 | $0.07 | 200,000 | $0.07 | 200,000 | October 12, 2023 |
| November 19, 2018 | $0.07 | 2,450,000 | $0.07 | 2,450,000 | November 19, 2023 |
| July 19, 2019 | $0.05 | 875,000 | $0.05 | 3,500,000 | July 19, 2024 |
| | $0.08 | 7,965,000 | $0.07 | 10,590,000 | |

(Expressed in United States dollars unless otherwise noted)

## 9. Share Capital (continued)

### d. Warrants

The changes in warrants during the period ended September 30, 2019 were as follows:

| | Number | Exercise Price (CDN$) |
|---|---|---|
| Balance, December 31, 2018 | 11,823,552 | 0.15 |
| Issued | 4,859,000 | 0.09 |
| Expired | (1,066,667) | 0.15 |
| Balance, September 30, 2019 | 15,615,885 | 0.14 |

During the period ended September 30, 2019, the Company extended the exercise period of a total of 5,349,222 share purchase warrants issued pursuant to the private placement completed on September 14, 2017. The original expiry date was September 14, 2019 and the new expiry date is September 14, 2021.

Warrants outstanding at September 30, 2019 were as follows:

| Expiry Date | Exercise Price | Number of Warrants Outstanding |
|---|---|---|
| July 29, 2020 | $0.15 | 5,407,663 |
| January 30, 2021 | $0.09 | 2,775,000 |
| March 1, 2021 | $0.09 | 2,084,000 |
| September 14, 2021 | $0.15 | 5,349,222 |
| **Weighted Average** | $0.14 | 15,615,885 |

### e. Reserves

Equity settled employee compensation and warrants reserve:

The equity settled employee compensation and warrants reserve comprises stock-based compensation expense and other warrant payments. When stock options or warrants are exercised, the corresponding amount will be transferred to share capital.

Foreign currency reserve:

The foreign currency reserve records unrealized exchange differences arising on translation of group companies that have a functional currency other than the Company's reporting currency.

## 10. Commitments

**Community engagement and initiatives**

In July 8, 2012, the Company signed a land use agreement with the community of San Juan de Cañaris, by which the community authorized the Company to use the land for exploration purposes for three years. The Company had committed 1,500,000 soles ($550,000) to fund sustainable development programs subject to specific project approval by a committee formed by the parties. The Company did incur in excess of 1,500,000 soles on community initiatives since July 2012 (more than 6,000,000 soles since 2010) however the committee was not formed in time to approve all of these expenditures. The Company also committed to issue 1,000,000 shares of the Company to the community upon the earlier of the commencement of the construction phase of the Cañariaco Copper Project or the transfer of at least 51% of the Cañariaco Copper Project to a third-party.

(Expressed in United States dollars unless otherwise noted)

### 11. Related Party Disclosure

Key management compensation:

Key management consists of the Company's directors, executive officers and senior management. Compensation includes amounts paid to these individuals and companies they control.

| | Nine months ended September 30, | | | |
|---|---|---|---|---|
| | | **2019** | | 2018 |
| Salaries and fees | **$** | **63,296** | $ | 71,412 |
| Share-based payments | | **67,814** | | - |
| | **$** | **131,110** | $ | 71,412 |

The Company does not remunerate the directors of the Company unless its market capitalization is greater than $75 million. During the period ended September 30, 2019, the Company paid $Nil in directors' fees (Period ended September 30, 2018 - $Nil).

Included in salaries and fees is $27,187 (Period ended September 30, 2018 - $30,668) which was capitalized to unproven mineral right interests.

During the period ended September 30, 2019, a director advanced an additional $120,000 to the Company for a total amount owing at September 30, 2019 of $138,713 and an officer advanced $15,102 to the Company. The advances are unsecured, non-interest bearing and are due on demand. Advances are included in trade payables and accrued liabilities (Note 8).

Amounts due to and from related parties are unsecured, non-interest bearing and due on demand. Trade payables and accrued liabilities at September 30, 2019, included $467,162 due to related parties (December 31, 2018 – $357,347) (Note 8). Receivables at September 30, 2019, included $276,189 (December 31, 2018 - $549,935) due from Candente Gold Corp., a company with common officers and directors. During the period ended September 30, 2019, the Company recorded an impairment of $251,217 on the amount receivable from Candente Gold Corp.

### 12. General and Administrative Expenses

| | Three months ended September 30, | | | | Nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | | **2019** | | 2018 | | **2019** | | 2018 |
| **GENERAL AND ADMINISTRATIVE** | | | | | | | | |
| Amortization (Note 7) | **$** | **4,916** | $ | 6,330 | **$** | **15,031** | $ | 20,302 |
| Accounting, audit and tax advisory fees | | **8,943** | | 11,196 | | **32,078** | | 41,927 |
| Bank charges and interest | | **472** | | 713 | | **1,591** | | 2,173 |
| Legal | | **3,174** | | 46 | | **24,121** | | 13,590 |
| Management fees, office salaries and benefits (Note 11) | | **26,955** | | 30,394 | | **118,438** | | 113,624 |
| Office, rent and miscellaneous | | **11,181** | | 13,447 | | **37,203** | | 37,633 |
| Travel and accommodations | | **116** | | (13) | | **159** | | 2,349 |
| Regulatory and filing fees | | **3,689** | | 2,977 | | **17,813** | | 15,157 |
| Share-based payments | | **44,214** | | 14,158 | | **94,143** | | 14,158 |
| Shareholder communications | | **2,410** | | 5,796 | | **23,958** | | 36,704 |
| **Total general and administrative expenses** | **$** | **106,070** | $ | 85,044 | **$** | **364,535** | $ | 297,617 |

### 13. Segmented Information

The Company operates in one segment being the exploration of mineral properties in Peru. The Company operates in two geographical areas, being Peru and Canada. All of the Company's non-current assets are located in Peru.

### 14. Financial risk and capital management

The Company is exposed to certain financial risks in the normal course of its operations:

**Liquidity risk**
Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The liquidity position of the Company is managed to ensure sufficient liquid funds are available to meet financial commitments in a timely and cost-efficient manner. The Company's management continually reviews the liquidity position including cash flow forecasts to determine the forecasted liquidity position and maintain appropriate liquidity levels. The Company plans to make payments of trade payables, which are either past due or due within the next 12 months and commitments from its current working capital and future sources of equity financing. Liquidity risk is considered to be high.

**Currency risk**
Currency risk is the risk that arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. The Company operates internationally and is exposed to risks from foreign currency rates. The functional currencies of the Company's subsidiaries are the United States and Canadian dollars and certain of the subsidiaries' transactions are denominated in Nuevo Soles. The Company does not enter into any foreign exchange contracts to mitigate this risk. The Company and its subsidiaries do not have significant transactions or hold significant cash denominated currencies other than their functional currencies. Therefore, the risk is considered minimal.

**Credit risk**
Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations.

Cash is deposited in highly rated corporations and the credit risk associated with these deposits is low.

As mentioned in Note 11, $276,189 of the receivables balance as at September 30, 2019, is due from Candente Gold Corp, a related party. At September 30, 2019, Candente Gold Corp's assets are in the exploration stage and the Company does not have sufficient cash or cash flows to pay the amount due. Management considers that this receivable is recoverable. However, credit risk associated with this receivable is considered moderate.

The Company also has a receivable of $102,814 associated with the sale of Minera Candente which is payable over a period of 17 months. Management considers that this receivable is recoverable, and that credit risk associated with this receivable is moderate.

As at September 30, 2019, the Company's maximum exposure to credit risk is the carrying value of its cash and receivables.

## 14. Financial risk and capital management (continued)

**Capital management**

The Company's capital structure is comprised of working capital (current assets minus current liabilities) and equity. The Company's objectives when managing its capital structure is to, maintain financial flexibility to preserve the Company's access to capital markets and its ability to meet its financial obligations.

The Company's corporate office is responsible for capital management. This involves the use of corporate forecasting models, which facilitate analysis of the Company's financial position including cash flow forecasts to determine future capital management requirements.

In preparing its budgets and corporate forecasting models, the Company considers operating commitments imposed by its subsidiaries and the stability of the global capital markets.

Capital management is undertaken to safeguard a secure, cost-effective supply of funds to ensure the Company's operating and capital expenditure requirements are met. There were no changes in the Company's approach to capital management during the period and the Company is not subject to any restrictions on its capital.

**Fair value hierarchy**

The interim condensed consolidated statements of financial position carrying amounts for cash, trade and other receivables and trade payables, approximate fair value due to their short-term nature. The receivable for sale of subsidiary is measured at amortized cost using the effective interest method and approximates fair value.

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and investments fall under Level 1.

There were no transfers between levels during the period.