CANDENTE
COPPER CORP

Candente Copper Corp.
Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
(Expressed in United States dollars, unless otherwise noted)

KRESTON GTA

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Candente Copper Corp.

Opinion

We have audited the accompanying consolidated financial statements of Candente Copper Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and the consolidated statements of loss and comprehensive loss, consolidated statement of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Candente Copper Corp. as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describe the events and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 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.

Key Audit Matter

The key audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the key audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the key audit matter below providing a separate opinion on the key audit matter or on the accounts or disclosures to which it relates.

Impairment of Unproven Mineral Right Interests

Description of the Matter

We identified the impairment assessment of unproven mineral right interests as a key audit matter due to significant auditor and management judgement and estimation involved in determining the recoverable production. As disclosed in Note 6 to the consolidated financial statements, the carrying value of the Company's unproven mineral right interests were approximately $65 million as at December 31, 2021. As discussed in Note 3 to the consolidated financial statements, the carrying value of unproven mineral right interests is reviewed each reporting period to determine whether there is any indication of impairment or reversal of impairment.

Audit Response

Our primary procedures to address this key audit matter include i) testing the operating effectiveness of certain internal controls related to the Company's process to assess indicators of impairment or reversal of impairment; ii) evaluating the appropriateness of the methods and valuation models used; and iii) evaluating the reasonableness of the significant assumptions used by management. We also assessed the competence, capabilities and objectivity of the Company's personnel involved in preparing the impairment assessment.

Other Information

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 and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, 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 in this auditor's report. 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 it 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 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 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 financial statements, including the disclosures, and whether the 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 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

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

Kreston GTA LLP

Chartered Professional Accountants
Markham, Canada
March 30, 2022

Candente Copper Corp.
Consolidated Statements of Financial Position
As at Decmber 31, 2021 and December 31, 2020
(Expressed in United States dollars unless otherwise noted)

	Notes		December 31, 2021		December 31, 2020
Assets					
Current assets					
Cash		$	**170,218**	$	510,627
Prepaid expenses and deposits			**28,159**		13,206
Total current assets			**198,377**		523,833
Non-current assets					
Receivables			**55,076**		37,476
Investment	**4**		**502,215**		239,155
Right of use asset	**5**		**58,971**		74,731
Advance payment Canyon Creek	**6**		**40,443**		-
Exploration and evaluation assets	**6**		**65,085,912**		64,257,275
Equipment	**7**		**55,855**		69,754
Total non-current assets			**65,798,472**		64,678,391
Total assets		$	**65,996,849**	$	65,202,224
Liabilities					
Current liabilities					
Trade payables and accrued liabilities	**8,12**	$	**484,724**	$	838,403
Current portion of lease liability	**5**		**14,535**		22,459
Total current liabilities			**499,259**		860,862
Non-current liabilities					
Term loan payable	**9**		**31,552**		31,416
Lease liability	**5**		**49,389**		53,735
Total Liabilities			**580,200**		946,013
Equity					
Share capital	**10**		**88,482,043**		86,774,635
Reserves	**10**		**14,084,690**		13,455,747
Accumulated deficit			**(37,150,084)**		(35,974,171)
Total equity			**65,416,649**		64,256,211
Total liabilities and equity		$	**65,996,849**	$	65,202,224

General information (Note 1)
Commitment (Note 11)
Subsequent events (Note 17)

Approved on behalf of the Board of Directors on March 30, 2022

(signed) Andres Milla
Director

(signed) George Elliott
Director

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

Candente Copper Corp.
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2021 and 2020
(Expressed in United States dollars unless otherwise noted)

	Notes	For the years ended December 31, 2021	2020
Expenses			
General and administrative expenses	**13**	**$ 1,077,426**	$ 819,540
Other expenses			
Impairment of related party receivable		**-**	112,584
Impairment on receivable for sale of subsidiary		**-**	67,494
Loss (gain) on foreign exchange		**92,575**	(58,860)
Interest expense		**5,912**	1,826
Interest income		**-**	(10,556)
Net loss		**1,175,913**	932,028
Change in fair value of investment	**4**	**(268,803)**	(134,727)
Exchange difference on translation of parent		**(157,627)**	66,986
		(426,430)	(67,741)
Comprehensive loss		**$ 749,483**	$ 864,287
Loss per share attributable to shareholders: basic and diluted		**$ 0.00**	$ 0.00
Weighted average number of common shares outstanding: basic and diluted		**258,462,463**	231,881,939

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

Candente Copper Corp.
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in United States dollars unless otherwise noted)

	Share Capital		Reserves						
	Total common shares	Share capital	Equity settled employee compensation and warrants	Contributed Surplus	Foreign currency	Available for sale assets	Total reserves	Deficit	Total
Balance at January 1, 2020	195,005,268	$ 84,732,929	$ 13,436,888		$ (495,645)	$ 19,133	$ 12,960,376	$ (35,042,143)	$ 62,651,162
Common shares issued for financing	48,500,000	1,794,005	-	-	-	-	-	-	1,794,005
Common shares issued upon exercise of options	2,010,000	135,313	(51,526)	-	-	-	(51,526)	-	83,787
Common shares issued upon exercise of warrants	1,596,500	118,548	(393)	-	-	-	(393)	-	118,155
Share issuance costs	-	(6,160)	-	-	-	-	-	-	(6,160)
Share-based payments - stock options	-	-	185,999	-	-	-	185,999	-	185,999
Share-based payments - deferred share units	-	-	87,965	-	-	-	87,965	-	87,965
Share-based payments - restricted share units	-	-	205,585	-	-	-	205,585	-	205,585
Net loss	-	-	-	-	-	-	-	(932,028)	(932,028)
Change in fair value of investment	-	-	-	-	-	134,727	134,727	-	134,727
Cumulative translation adjustment	-	-	-	-	(66,986)	-	(66,986)	-	(66,986)
Balance at December 31, 2020	247,111,768	$ 86,774,635	$ 13,864,518	$ -	$ (562,631)	$ 153,860	$ 13,455,747	$ (35,974,171)	$ 64,256,211
Balance at January 1, 2021	**247,111,768**	**$ 86,774,635**	**$ 13,864,518**	**$ -**	**$ (562,631)**	**$ 153,860**	**$ 13,455,747**	**$ (35,974,171)**	**$ 64,256,211**
Common shares issued for financing	8,800,000	872,462	-	-	-	-	-	-	872,462
Share issuance costs	-	(6,567)	-	-	-	-	-	-	(6,567)
Share-based payments - stock options	-	-	298,395	-	-	-	298,395	-	298,395
Share-based payments - deferred share units	-	-	124,716	-	-	-	124,716	-	124,716
Share-based payments - restricted share units	-	-	31,176	-	-	-	31,176	-	31,176
Expired warrants	-	-	(45,346)	45,346	-	-	-	-	-
Common shares issued upon exercise of options	1,650,000	121,900	(48,140)	-	-	-	(48,140)	-	73,760
Common shares issued upon exercise of warrants	5,592,110	525,230	(21,369)	-	-	-	(21,369)	-	503,861
Common shares issued upon settlement of RSU	3,288,069	182,265	(182,265)	-	-	-	(182,265)	-	-
Common shares issued for property	100,000	12,118	-	-	-	-	-	-	12,118
Net loss	-	-	-	-	-	-	-	(1,175,913)	(1,175,913)
Change in fair value of investment	-	-	-	-	-	268,803	268,803	-	268,803
Cumulative translation adjustment	-	-	-	-	157,627	-	157,627	-	157,627
Balance at December 31, 2021	**266,541,947**	**$ 88,482,043**	**$ 14,021,685**	**$ 45,346**	**$ (405,004)**	**$ 422,663**	**$ 14,084,690**	**$ (37,150,084)**	**$ 65,416,649**

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

Candente Copper Corp.
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in United States dollars unless otherwise noted)

		For the years 2021		December 31, 2020
Cash provided by (used in):				
Loss for the period	**$**	**(1,175,913)**	$	(932,028)
Items not affecting cash:				
Amortization		**33,149**		23,603
Share-based payments - stock options		**298,395**		391,584
Share-based payments - deferred share units		**124,716**		-
Share-based payments - restricted share units		**31,176**		87,965
Impairment on receivable for sale of subsidiary		**-**		67,494
Interest income		**-**		(10,556)
Interest expense		**5,740**		1,826
Foreign exchange		**170,318**		148,501
Changes in non-cash working capital items:				
Receivables		**(17,600)**		(122,814)
Prepaid expenses and deposits		**(14,953)**		(2,211)
Accounts payable and accrued liabilities		**(446,520)**		(277,911)
Net cash used in operating activities		**(991,492)**		(511,963)
Investing				
Addition to unproven mineral right interests		**(728,924)**		(820,516)
Advance payment - Canyon Creek		**(40,443)**		-
Purchase of equipment		**(2,980)**		(353)
Payments received for sale of subsidiary		**-**		42,500
Change in value added taxes paid		**(1,603)**		(11,597)
Net cash used in investing activities		**(773,950)**		(789,966)
Financing				
Issuance of common shares for cash, net of issuance costs		**865,895**		1,764,885
Issuance of common shares for exercise of options		**73,760**		83,787
Issuance of common shares for exercise of warrants		**503,861**		118,155
Repayment of bank overdraft		**-**		(42)
Term loan payable		**-**		30,601
Principal repayments on lease liability		**(18,483)**		(5,667)
Advances from related parties		**-**		12,513
Repayment of related party advances		**-**		(191,676)
Net cash provided by financing activities		**1,425,033**		1,812,556
Net change in cash		**(340,409)**		510,627
Cash at beginning of year		**510,627**		-
Cash at end of year	**$**	**170,218**	$	510,627
Non-cash investing and financing information:				
Subscriptions receivable		**-**		22,961
Lease liability and ROU recognized		**-**		80,071
Change in fair value investment		**(268,803)**		(134,727)
Exploration and evaluation assets including in trade payables		**73,874**		266,771

The accompanying notes are an integral part of these 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 801-1112 West Pender Street, Vancouver British Columbia, V6E 2S1.

The principal subsidiaries of the Company as at December 31, 2021 are as follows:

Subsidiary	Interest	Functional currency
Canariaco Copper Peru S.A. (“Canariaco”)	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 consolidated financial statements were authorized for issue by the Board of Directors on March 30, 2022.

These 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 year ended December 31, 2021, the Company incurred a net loss of $1,175,913. As at December 31, 2021, the Company has $37,150,084 in cumulative losses since inception and deficiency in working capital of $300,882 (2020 deficiency of $337,029). 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies and financial markets globally, potentially leading to an economic downturn. Operation in the projects located in Peru make decisions according to their local situation and applicable laws, as well as considering the health and safety of their employees. During the second quarter of 2020, operations in Peru were temporarily suspended due to government restrictions focused on reducing the impacts of COVID-19, including the Don Gregorio copper-gold porphyry proyect. The Peruvian government issued a decree on May 3, 2020 indicating large mines would be able to reopen subject to approval of certain protocols. The mining exploration activities resumed operations during the third quarter of 2020 and remain in operations. To date, it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effect on the Company’s business or ability to raise funds.

2. Statement of Compliance and Basis of Presentation

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") in effect as of December 31, 2021.

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value as explained in accounting policies set out in Note 3.

3. Significant Accounting Policies

a. Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the key estimates and judgments applied by management that most significantly affect the Company's consolidated financial statements. These estimates and judgments have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i. Exploration and evaluation assets mineral right interests and impairment

Exploration and evaluation assets include the cost of acquiring licenses, exploration and analysis, project administration, drilling, community and social values and environmental health and safety. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist, the rights of tenure are current, and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the right. Management is required to exercise significant judgment in determining the timing of the determination of the technical feasibility and commercial viability of the mineral resource. The Company considers both external and internal sources of information in assessing whether there are any indicators that mineral properties are impaired.

ii. Going concern

Management assesses the Company's ability to continue as a going concern in relation to its ability to raise funds.

iii. Valuation of share-based payments and warrants

When options and warrants are issued, the Company calculates their estimated fair value using the Black-Scholes valuation model. The Company uses its historical stock prices to determine volatility and estimated dividend yield rates to arrive at the inputs that are used in the valuation model to calculate the fair value of the options or warrants.

b. Basis of consolidation

Subsidiaries are all entities controlled by the Company. Control is achieved when the Company has power over its investee; is exposed or has rights to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Consolidation ceases from the date that the Company no longer has control. Intercompany transactions, balances and income and expenses on transactions between the Company and its subsidiaries are eliminated on consolidation.

3. Significant Accounting Policies (continued)

c. Foreign currency translation

The functional currency of subsidiaries is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the period end exchange rates. Non-monetary items are measured using historical cost in a foreign currency and are translated using the exchange rate at the date of the transaction. Non- monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the parent entity is the Canadian dollar. The presentation currency of the Company is the U.S. dollar. The parent company is translated from its functional currency into U.S. dollars on consolidation. Items in the statement of loss are translated using weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Items in the statement of financial position are translated at the closing spot exchange rate. Exchange differences on the translation of the net assets of the parent company are recognized in a separate component of equity.

d. Exploration and evaluation assets

The Company capitalizes all costs, net of any recoveries, of acquiring, exploring and evaluating mineral right interest, until the right to which they relate is placed into production, at which time these deferred costs will be amortized over the estimated useful life of the right upon commissioning the property, or written-off if the right is disposed of, impaired or abandoned.

Management reviews the carrying amounts of mineral rights annually or when there are indicators of impairment and will recognize impairment based upon current exploration results and upon assessment of the probability of profitable exploitation of the rights.

An indication of impairment includes but is not limited to expiration of the right to explore, absence of planned or budgeted substantive expenditure in the specific area, and the decision to discontinue exploration activity in a specific area.

e. Equipment

Equipment is recognized at cost less accumulated depreciation. The cost includes expenditures that are directly attributable to the acquisition of the equipment. Where parts (components) of an item of equipment have different useful lives or for which different amortization rates are appropriate, they are accounted for as separate items of equipment. Estimates of residual values, methods and useful lives of all assets are assessed annually.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Amortization is calculated on a declining balance method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of equipment are as follows:

Asset class	Declining balance rates
Equipment	20% to 30%
Vehicles	30%

Leasehold improvements are recorded at cost net of recoveries and amortized on a straight-line basis over the term of the lease agreement.

3. Significant Accounting Policies (continued)

f. Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company classifies it's cash at FVTPL, investment at FVOCI and receivables, trade payables and lease liability at amortized cost.

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and are subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. Significant Accounting Policies (continued)

f. Financial instruments (continued)

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

g. Income taxes

Current Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Deferred Taxation

Deferred tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Additional income taxes that arise from the distribution of dividends are recognized at the same time that the liability to pay the related dividend is recognized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, 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.

h. Share based payments

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

In situations where equity instruments are issued for goods or services provided by non-employees, the share-based payment is measured at the fair value of the goods and services received. Where

3. Significant Accounting Policies (continued)

h. Share based payments (continued)

the consideration cannot be specifically identified, the transaction is measured at the fair value of the equity instruments.

The costs of equity-settled transactions with employees are measured by reference to the fair value of the equity instrument on the grant date.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense, recognized for equity-settled transactions at each reporting date until the vesting date, reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

i. Deferred share units

The Company has established a deferred share plan under which deferred share units are granted to non-executive directors of the Company as part of long-term incentive compensation. Deferred share units are classified as equity settled share-based payment transactions as the participants will receive either common shares of the Company or payment of cash, or any combination of the foregoing, as determined by the Company in its sole discretion, following a redemption event. As such, the Company recognizes the expense based on the quoted market price of the Company's common shares at the grant date and a corresponding increase in equity for the eventual redemption when the DSUs are issued.

j. Restricted share units

The Company has established a restricted share plan under which restricted share units are granted to eligible directors, employees and contractors of the Company. The restricted share units are considered equity-settled and are measured using the quoted market price of the Company's common shares at the grant date and recognized as share-based compensation over the vesting period, with a corresponding amount recognized as equity.

k. Provisions

Provisions (including those for environmental restoration and restructuring costs) are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures that are expected to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3. Significant Accounting Policies (continued)

k. Provisions (continued)

Rehabilitation and Environmental Costs

An obligation to incur rehabilitation and environmental costs occurs when an environmental disturbance is caused through the Company's work at its exploration and evaluation assets. Costs are estimated on the basis of a formal closure plan and are subject to regular review. As of December 31, 2021, the Company has recognized a provision of $Nil (2020 -$Nil).

l. Impairment

Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. 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 it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment is recognized in the statement of comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease. Where an impairment subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized for the asset (or cash-generating unit) in prior years.

m. Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units.

The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the issue date. The balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded as reserves.

3. Significant Accounting Policies (continued)

n. Loss per share

Basic earnings (loss) per share is calculated by dividing the earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted earnings (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

The Company has incurred losses since its inception and, therefore, basic loss per share has been equal to fully diluted loss per share as these impacts would be anti-dilutive.

o. Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

4. Investment

At December 31, 2021, the Company held 5,536,373 (December 31, 2020 - 5,536,373) shares of Xali Gold Corp. (formerly Candente Gold Corp) ("Xali Gold"), a company with common officers and directors. The closing share price was CDN$0.115 (December 31, 2020 - CDN$0.055) and the fair value of the Company's investment in Xali Gold is $502,215 (December 31, 2020 - $239,155). During the year ended December 31, 2021, the Company recognized an unrealized gain on investments of $268,803 (2020 – $134,727) that was included in other comprehensive loss.

(Expressed in United States dollars unless otherwise noted)

5. Right to Use Asset and Lease Liability

The right of use asset consists of a lease for office space.

		December 31, 2021		December 31, 2020
Opening balance	$	**74,731**	$	-
Additions		**-**		80,071
Depreciation		**(16,271)**		(4,878)
Foreign exchange adjustment		**511**		(462)
Ending balance	$	**58,971**	$	74,731

The Company's lease liability consists of a single lease for office space. The lease liability was measured at the present value of the remaining lease payments and discounted using the Company's estimated incremental borrowing rate of 8% per annum.

At December 31, 2021, the Company's lease liability is as follows:

		December 31, 2021		December 31, 2020
Opening balance	$	**76,194**	$	-
Additions		**-**		80,071
Interest		**5,740**		1,826
Lease payments		**(18,483)**		(5,667)
Foreign exchange adjustment		**473**		(36)
Ending balance	$	**63,924**	$	76,194

		December 31, 2021		December 31, 2020
Current portion	$	**14,535**	$	22,459
Long-term portion		**49,389**		53,735
Total lease liability	$	**63,924**	$	76,194

At December 31, 2021, the Company is committed to minimum undiscounted lease payments as follows:

		December 31, 2021		December 31, 2020
Less than one year	$	**19,131**	$	18,197
One to five years		**55,108**		73,924
Total undiscounted lease liabilities	$	**74,239**	$	92,121

The following expenses are recorded pertaining to the lease arrangements:

		December 31, 2021		December 31, 2020
Interest on lease liabilities	$	**5,740**	$	1,826
Amortization sub-leasing right-of-use	$	**16,271**	$	4,878
Expenses relating to short-term leases and variable costs	$	**-**	$	26,495

(Expressed in United States dollars unless otherwise noted)

6. Unproven Mineral Right Interests

As of December 31, 2021, the Company's mineral properties consisted of the following:

Cañariaco Property, Lambayeque, Peru		Balance as at January 1, 2021		Mining property expenditures		Balance as at December 31, 2021
Mineral rights and surface access rights	$	2,106,647	$	107,436	$	2,214,083
Community relations and social intiatives		4,751,523		141,101		4,892,624
Exploration and evaluation costs:						
Drilling		9,814,613		44,250		9,858,863
Environment, health and safety		1,448,771		144,665		1,593,436
General exploration and development		10,013,092		168,475		10,181,567
Engineering studies		10,909,797		370,163		11,279,960
Field support including project management		23,216,607		45,274		23,261,881
Total exploration and evaluation costs		**55,402,880**		**772,827**		**56,175,707**
		62,261,050		**1,021,364**		**63,282,414**
Option and royalty payments received		(505,921)		-		(505,921)
Debt forgiveness		-		(222,656)		(222,656)
	$	**61,755,129**	**$**	**798,708**	**$**	**62,553,837**
Cobriza Metals Peruvian properties						
Mineral rights and surface access rights	**$**	404,730	$	48,760	$	453,490
Community relations and social intiatives		40,000		-		40,000
Exploration and evaluation costs:						
Drilling		357,090		1,207		358,297
Environment, health and safety		42,288		-		42,288
General exploration and development		706,826		-		706,826
Engineering studies		1,087		-		1,087
Field support including project management		51,691		618		52,309
Cost recoveries		(83,579)		(22,260)		(105,839)
Total exploration and evaluation costs		**1,075,403**		**(20,435)**		**1,054,968**
		1,520,133		**28,325**		**1,548,458**
Option and royalty payments received		(350,000)		-		(350,000)
Impairment of unproven mineral rights interest		(466,359)		-		(466,359)
	$	**703,774**	**$**	**28,325**	**$**	**732,099**
Total mineral properties before value-added tax credit	**$**	**62,458,903**	**$**	**827,033**	**$**	**63,285,936**
Value-added tax credit **	**$**	**1,798,372**	**$**	**1,604**	**$**	**1,799,976**
Total mineral properties	**$**	**64,257,275**	**$**	**828,637**	**$**	**65,085,912**

**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.

(Expressed in United States dollars unless otherwise noted)

6. Unproven Mineral Right Interests (Continued)

As of December 31, 2020, the Company's mineral properties consisted of the following:

Cañariaco Property, Lambayeque, Peru		January 1, 2020		Mining property expenditures		December 31, 2020
Mineral rights and surface access rights	$	2,002,960	$	103,687	$	2,106,647
Community relations and social intiatives		4,663,704		87,819		4,751,523
Exploration and evaluation costs:						
Drilling		9,770,307		44,306		9,814,613
Environment, health and safety		1,343,205		105,566		1,448,771
General exploration		10,001,841		79,638		10,081,479
Engineering studies		10,909,797		-		10,909,797
Field support include project management		23,053,070		95,150		23,148,220
Total exploration and evaluation costs		**55,078,220**		**324,660**		**55,402,880**
		61,744,884		**516,166**		**62,261,050**
Option and royalty payments received		(505,921)		**-**		(505,921)
	$	**61,238,963**	**$**	**516,166**	**$**	**61,755,129**
Cobriza Metals Peruvian properties						
Mineral rights and surface access rights	**$**	350,000	$	54,730	$	404,730
Community relations and social intiatives		40,000		-		40,000
Exploration and evaluation costs:						
Drilling		357,090		-		357,090
Environment, health and safety		37,908		4,380		42,288
General exploration		706,826		-		706,826
Engineering studies		-		1,087		1,087
Field support include project management		48,973		2,718		51,691
Cost recoveries		(58,243)		(25,336)		(83,579)
Total exploration and evaluation costs		**1,092,554**		**(17,151)**		**1,075,403**
		1,482,554		**37,579**		**1,520,133**
Option and royalty payments received		(350,000)		-		(350,000)
Impairment of unproven mineral rights interest		(466,359)		-		(466,359)
	$	**666,195**	**$**	**37,579**	**$**	**703,774**
Total mineral properties before value-added tax credit	**$**	**61,905,158**	**$**	**553,745**	**$**	**62,458,903**
Value-added tax credit **	**$**	**1,786,775**	**$**	**11,597**	**$**	**1,798,372**
Total mineral properties	**$**	**63,691,933**	**$**	**565,342**	**$**	**64,257,275**

Some number under Mineral properties expenditures were reclassified to adjust to current period classification

The Company has a 100% interest in the Don Gregorio copper-gold porphyry project, located in Jaen Province, Peru. On June 26, 2017, the Company entered into an option agreement to option this property with Forte Copper Corp. (formerly known as Plan B Minerals Corp.) ("FCC"). The Don Gregorio property is one of the projects held by Cobriza Metals Peru S.A. ("Cobriza").

In accordance with the option agreement, FCC 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.

6. Unproven Mineral Right Interests (Continued)

To date, the Company has received $108,100 and reimbursements for fees for annual mineral rights totalling $72,296 with respect to this agreement. 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).
On November 4, 2020, the Company assigned the Don Gregorio project mining concessions to a subsidiary of FCC for ease of application for the drilling permits. The agreement has a term of 5 years.

Acquisition of Canyon Creek copper project:

On May 26, 2021 the Company announced it has entered into an option agreement to acquire up to 100% interest in the Canyon Creek copper project in northwestern British Columbia ("B.C."), Canada

Terms of the Agreement

The Company has entered into a legally binding Letter of Intent ("LOI") with property owner Chris Baldys. The LOI provides for the following:

Acquire 100% Interest (subject to Royalty*) by:

1. Issuing a total of 1M shares over 5 years (by November 30, 2025)
2. Funding exploration activities to keep the claims in good standing until December 2027 (approximately Cdn$45,000 per year)

Of the above the following is a Firm Commitment:

- Issue 50,000 shares within 14 days of signing and receiving TSX approval (issued) (note 10);
- Issue an additional 50,000 shares by November 30, 2021 (issued); and
- Funding exploration activities totalling a minimum of $42,000 by December 31, 2021. (achieved).

*Royalty:
The Vendor will be granted a royalty equal to 1.5% of net smelter returns. The Company has the right to buyback the first 0.5% for $500,000 and the second 0.5% for an additional $1.5M.

(Expressed in United States dollars unless otherwise noted)

7. Equipment

		Equipment		Vehicles		Leaseholds		Total
Cost								
As at December 31, 2019	$	605,432	$	29,141	$	8,120	$	642,693
Additions		313		-		-		313
Disposals		(96)		-		-		(96)
As at December 31, 2020		605,649		29,141		8,120		642,910
Additions		2,980		-		-		2,980
As at December 31, 2021	$	608,629	$	29,141	$	8,120	$	645,890
Accumulated depreciation								
As at December 31, 2019	$	(517,170)	$	(29,141)	$	(8,120)	$	(554,431)
Additions		(18,725)		-		-		(18,725)
As at December 31, 2020		(535,895)		(29,141)		(8,120)		(573,156)
Additions		(16,879)		-		-		(16,879)
As at December 31, 2021	$	(552,774)	$	(29,141)	$	(8,120)	$	(590,035)
Net book value								
As at December 31, 2020	$	69,754	$	-	$	-	$	69,754
As at December 31, 2021	**$**	**55,855**	**$**	**-**	**$**	**-**	**$**	**55,855**

8. Trade Payables and Accrued Liabilities

		December 31, 2021		December 31, 2020
Trade payables	**$**	**240,281**	$	105,320
Due to related parties (Note 12)		**211,456**		278,112
Accrued liabilities		**32,987**		454,971
	$	**484,724**	$	838,403

During the year ended December 31, 2018, the Company entered into an agreement with Amec Foster Wheeler Peru S.A. (“AMEC”) for the settlement of the trade liability for $883,596 included in the accounts payable of the Company’s subsidiary, Cañariaco.

Pursuant to the agreement and subsequent amendments, the Company made various payments and issued 2,638,771 common shares with a fair value of $90,136 resulting in a partial gain on settlement of $51,614 recorded during the year ended December 31, 2019.

During the year ended December 31, 2021, the Company made a final cash payment of $175,000 (December 31, 2020 - $350,000) and the remaining balance of $222,655 was recorded as reduction to the expense in full satisfaction of all obligations to AMEC.

9. Term Loan Payable

On April 29, 2020, the Company received a loan for gross proceeds of $30,601 (CAD $40,000) under the Canada Emergency Business Account ("CEBA") as part of the Canadian government funded COVID-19 financial assistance programs. The CEBA term loan is due on December 25, 2025. The loan is interest free until December 31, 2022 and bears interest at 5% per annum thereafter. If at least 75% of the loan principal is paid on or before December 31, 2022, the balance of the loan will be forgiven.

During the year ended December 31, 2021 the government announced that the repayment deadline for the Canadian Emergency Business Account (CEBA) loans to qualify for partial loan forgiveness has been extended from December 31, 2022 to December 31, 2023, for all eligible borrowers in good standing.

10. Share Capital

a. Shares authorized

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

b. Common shares issued

As at December 31 2021, the Company had 266,541,947 (December 31, 2020 – 247,111,768) common shares issued and outstanding.

On January 20, 2020, the Company completed a private placement financing, issuing 21,000,000 shares at CDN$0.05 per share for gross proceeds of CDN$1,050,000.

On May 22, 2020, the Company completed a private placement financing, issuing 27,500,000 shares at CDN$0.05 per share for gross proceeds of CDN$1,375,000.

During the year ended December 31, 2020, 2,010,000 shares were issued pursuant to the exercise of stock options for proceeds of $83,787.

During the year ended December 31, 2020, 1,596,500 shares were issued pursuant to the exercise of warrants for proceeds of $118,155

During the year ended December 31, 2021, 19,430,179 common shares were issued: pursuant to the exercise of 5,592,110 warrants for proceeds of CDN$639,317; 1,650,000 stock options for proceeds of CDN$91,500, 8,800,000 common shares issued upon closing of private placement for proceeds of CDN$1,100,000, 3,288,069 common shares issued upon the settlement of Restricted Share Units ("RSU") at no additional consideration and with a fair value of CDN$230,165, and 100,000 common shares in relation to the acquisition of Canyon Creek copper project in Northwestern British Columbia with fair value of CDN$15,250 (note 6).

c. Stock 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.

(Expressed in United States dollars unless otherwise noted)

10. Share Capital (continued)

c. Stock options (continued)

The changes in stock options during the years ended December 31, 2021 and 2020 were as follows:

	Number	**Exercise Price (CDN$)**
Balance, December 31, 2019	10,590,000	0.07
Issued	7,400,000	0.05
Exercised	(2,010,000)	0.05
Expired	(30,000)	0.05
Cancelled	(2,500,000)	0.11
Balance, December 31, 2020	13,450,000	0.05
Issued	3,450,000	0.15
Exercised	(1,650,000)	0.05
Balance December 31, 2021	15,250,000	0.08

Share-based payments for the the year ended December 31, 2021 were $329,571 (2020 – $391,584). From which $299,007 related to Stock Options garnted during the period. The fair value of stock options granted was $469,829 (2020 - $177,577) 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:

	December 31, 2021	December 31, 2020
Risk-free interest rate	**1.06%**	1.27%
Expected life of options	**5 years**	5 years
Annualized volatility	**111.20%**	111.26%
Dividend rate	**Nil**	Nil

Stock options outstanding at December 31, 2021 were as follows:

	Exercisable		**Outstanding**		
Grant Date	**Exercise Price (CDN$)**	**Number of Options**	**Exercise Price (CDN$)**	**Number of Options**	**Expiry Date**
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	1,850,000	$0.07	1,850,000	November 19, 2023
July 19, 2019	$0.05	3,050,000	$0.05	3,050,000	July 19, 2024
January 27, 2020	$0.05	6,000,000	$0.05	6,000,000	January 27, 2025
June 17,2020	$0.06	400,000	$0.06	400,000	June 17, 2025
May 7, 2021	$0.15	1,125,000	$0.15	2,250,000	May 7, 2026
October 13, 2021	$0.13	-	$0.13	200,000	October 13, 2026
November 10, 2021	$0.18	600,000	$0.18	1,000,000	November 10, 2026
	$0.07	13,525,000	$0.08	15,250,000	

(Expressed in United States dollars unless otherwise noted)

10. Share Capital (continued)

d. Warrants

The changes in warrants during the years ended December 31, 2021 and 2020 were as follows:

	Number	Average Exercise Price (CDN$)
Balance, December 31, 2019	15,615,885	0.14
Excercised	(1,596,500)	0.09
Balance, December 31, 2020	14,019,385	0.14
Cancelled	(8,427,275)	0.15
Excercised	(5,592,110)	0.11
Balance, December 31, 2021	-	-

At December 31, 2021 the Company had no outstanding warrants

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.

Available for sale assets:

During the year ended December 31, 2021, the Company recognized an unrealized gain on investments of $268,803 (2020 – $134,727) that was included in other comprehensive loss. (Note 4).

f. Deferred Share Units ("DSU")

The Company has a DSU plan for non-executive directors of the Company. Under the terms of the plan, each vested DSU awarded entitles the DSU holder to receive, subject to adjustment as provided for in the DSU plan, one common share in the Company, an equivalent cash payment or a combination thereof at the discretion of the Company. Shares eligible for issuance under the DSU plan will be subject to the total DSUs granted not exceeding, when aggregated with all other security-based compensation arrangements of the Company, 10% of the issued shares of the Company.

For the purposes of the DSU plan, the value of the DSU on the grant date is the market price, being the five-day volume weighted average price of the common shares immediately preceding the grant Date

During the year ended December 31, 2021, the company issue 984,243 DSUs (2020 – 991,315) with fair value of $124,716 (2020 - $87,965).

(Expressed in United States dollars unless otherwise noted)

10. Share Capital (continued)

f. Deferred Share Units ("DSU")

	December 31, 2021	December 31, 2020
DSUs outstanding, beginning of year	991,315	-
Granted	984,243	991,315
DSUs outstanding, end of year	1,975,558	991,315

g. Restricted Share Units ("RSU")

The Company has an RSU plan for officers and employees of the Company. Under the terms of the plan, each vested RSU awarded entitles the RSU holder to receive, subject to adjustment as provided for in the RSU plan, one common share in the Company, an equivalent cash payment or a combination thereof, at the discretion of the Comapny. The RSUs are considered equity settled. RSUs will vest over a period of up to three years from the date of grant. The Company has reserved 5,000,000 common shares for issuance under the RSU plan, subject to the total RSUs granted not exceeding, when aggregated with all other security-based compensation arrangements of the Company, 10% of the issued shares of the Company.

RSUs are measured at fair value on the date of grant based on the five-day volume weighted average price at the common shares immediately preceeding the grant date and are recognized as share-based compensation expense on a straight-line basis over the vesting period. The corresponding amount is recorded to the share-based payment reserve. Upon the exercise of RSUs, the related share-based payment reserve is transferred to share capital.

During the year ended December 31, 2021, the Company granted 225,294 restricted share units (RSU) (2020 – 4,002,355). The fair value of new restricted share units was $31,176 (2020 – $205,585).

	December 31, 2021	December 31, 2020
RSUs outstanding, beginning of year	4,002,355	-
Granted	225,294	4,002,355
Settled	(3,288,069)	-
RSUs outstanding, end of year	939,580	4,002,355

11. Commitment

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 six 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)

12. 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.

		Years ended December 31,		
		2021		2020
Director fees	**$**	**166,782**	$	16,101
Salaries and fees		**126,929**		110,327
Share-based payments - stock options		**172,701**		170,595
Share-based payments - restricted share units		**-**		205,585
Share-based payments - deferred share units		**-**		87,965
	$	**466,412**	$	590,573

During the year ended December 31, 2021, the Company granted 984,243 DSUs (2020 – 991,315) to settle $124,716 in directors' fees (2020 - $87,965).

Included in salaries and fees is $50,483 (2020 – $62,204) which was capitalized to unproven mineral right interests.

The following amounts due to related parties are included in trade payables and accrued liabilities (Note 8). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

		December 31, 2021		December 31, 2020
Directors and officers of the Company	**$**	**211,456**	$	278,112

13. General and Administrative Expenses

		Years ended December 31,		
		2021		2020
GENERAL AND ADMINISTRATIVE				
Amortization (Note 6 & 8)	**$**	**33,149**	$	$ 23,603
Accounting, audit and tax advisory fees		**66,596**		54,945
Bank charges and interest		**3,572**		2,158
Consulting		**84,325**		-
Legal		**55,938**		20,246
Management and Director fees, office salaries and benefits (Note 13)		**307,863**		219,243
Office, rent and miscellaneous		**52,552**		51,758
Travel and accommodations		**1,912**		823
Regulatory and filing fees		**55,049**		35,960
Shareholder communications		**86,899**		19,220
Share-based payments (Note 11)		**329,571**		391,584
Total general and administrative expenses	**$**	**1,077,426**	$	$ 819,540

14. 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.

15. 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 moderate.

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. At December 31, 2021, the Company's maximum exposure to credit risk is the carrying value of its cash and receivables.

Capital management
The Company's capital structure is comprised of the components of 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 year and the Company is not subject to any restrictions on its capital.

(Expressed in United States dollars unless otherwise noted)

15. Financial Risk and Capital Management (continued)

Fair value hierarchy
The consolidated statements of financial position carrying amounts for 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.

16. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	For the year ended December 31,			
		2021		2020
Applicable income tax rate		**27%**		27%
Loss for the year before income taxes	**$**	1,175,913	$	932,028
Expected income tax recovery at the applicable tax rate		(317,497)		(251,647)
Non-deductible accounting (loss) and non-taxable accounting gain		122,657		185,100
Foreign exchange on foreign operations		232,610		260,892
Difference in tax rate in foreign operations		-		3,238
True up of tax provision from prior year		241,423		(126,553)
Tax effect of tax losses and temporary differences not recognized and other		(279,193)		(71,030)
Income tax expense	**$**	**-**	$	-

The Canadian combined federal corporate tax rate and British Columbia provincial tax rate is 27% for 2020 and 2019. Peruvian income tax rates are 29.5% for 2020 and 2019.

(Expressed in United States dollars unless otherwise noted)

16. Income Taxes (continued)

The components of the Company's unrecognized deferred tax assets and liabilities are as follows:

	For the year ended December 31, 2021	2020
Deferred tax asset: non-capital losses net of valuation allowance	$ 7,746,898	7,248,855
Deferred tax liability: mineral properties	(7,746,898)	(7,248,855)
Net deferred tax	$ -	$ -

The Company's deductible temporary differences and unused tax losses consist of the following amounts:

	For the year ended December 31, 2021	2020
Non-capital losses	$ 27,667,493	$ 28,942,856
Capital losses	1,723,226	1,723,226
Share issue costs	42,110	39,493
Unrealized loss on investments	713,253	713,253
Total deductible temporary differences	$ 30,146,082	$ 31,418,828

At December 31, 2021, the Company has non-capital operating losses of approximately $16.5 million (2020 - $14.9 million), subject to certain restrictions, for deduction against future taxable income in Canada. The operating losses expire from 2026 through to 2040.

The Company also had net operating loss carry-forwards for tax purposes of approximately $14.5 million (2020 - $14.5 million), subject to certain restrictions, for deduction against future taxable income in Peru. The Company has the option to carry forward all net operating losses for four years, or carry the losses forward indefinitely, but only up to 50% of the Company's taxable income of each subsequent year.

17. Subsequent Events

a) Subsequent to year ended December 31, 2021, 2,580,000 options were exercised for proceeds of CDN$238,500.

b) Subsequent to year ended December 31, 2021, 5,375,000 stock options were granted to directors and officer of the company at an exercise price of $0.23. with fair market value of $998,023

c) On February 17, 2022 the Company issued 568,213 common shares to settle CAD$67,800 debt with Agora Internet.

d) On March 23, 2022, the Company issued 280,913 DSUs to settle $41,215 in directors' fees.