



The following Management's Discussion and Analysis ("MD&A") focuses on significant factors that affected Candente Copper Corp. ("Candente Copper") and its subsidiaries (collectively the "Company") during the relevant reporting period and to the date of this report. It contains a review and analysis of the financial results for the year ended December 31, 2015, and identifies business risks that the Company faces and comments on the financial resources required for the development of the business.

This MD&A supplements, but does not form part of the consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2015, and consequently should be read in conjunction with the afore-mentioned financial statements and notes thereto and with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2015. The information in this MD&A is current as of April 3, 2016.

All amounts, unless specifically identified as otherwise, both in the Company's consolidated financial statements and this MD&A are expressed in U.S. dollars.

### **FORWARD-LOOKING STATEMENTS**

This MD&A contains certain "forward-looking information" which may include, but is not limited to, statements with respect to future events or future performance, management's expectations regarding the Company's growth, results of operations, estimated future revenues, requirements for additional capital, production costs and revenue, future demand for and prices of copper and precious metals, business prospects and opportunities. In addition, statements relating to mineral estimates or mineralized material of recoverable copper and precious metals are forward-looking information, as they involve implied assessment, based on certain estimates and assumptions, that the copper and precious metals can be profitably produced in the future. Such forward-looking information reflects management's current beliefs and is based on information currently available to management. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "predicts", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative or grammatical variations) of such words and phrases or may be identified by statements to the effect that certain actions "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. A number of known and unknown risks, uncertainties and other factors may cause the actual results or performance to materially differ from any future results or performance expressed or implied by the forward-looking information. Such factors include, among others, general business, economic, competitive, political and social uncertainties; development and/or exploration activities and the accuracy of probability simulations prepared to predict prospective mineral resources; changes in project parameters as plans continue to be refined; political instability or insurrection or war; labor force availability and turnover; delays in obtaining governmental approvals and permits or in the completion of development or construction activities or in the commencement of operations; as well as those factors discussed in the section entitled "Risks Factors" in this MD&A. These factors should be considered carefully and readers of this MD&A should not place undue reliance on forward-looking information.

Although the forward-looking information contained in this MD&A is based upon what management believes to be reasonable assumptions, there can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. Such forward-looking information is made as of the date of this MD&A and, other than as required by applicable securities laws, Candente Copper assumes no obligation to update or revise such forward-looking information to reflect new events or circumstances.

### **USE OF NON-GAAP MEASURES**

In this document, we refer to terms that do not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS"). Our usage of these terms may vary from the usage adapted by other companies and they cannot be reconciled to comparable terms in the Company's consolidated financial statements for the year ended December 31, 2015.



In this document and in the Company's consolidated financial statements, unless otherwise noted, all financial data is prepared in accordance with IFRS.

## **BUSINESS OVERVIEW AND STRATEGY**

Candente Copper is a Vancouver, Canada based mineral exploration company engaged in the acquisition, exploration and development of mineral right interests. The Company is currently focused on the exploration and development of its Cañariaco Norte porphyry copper project (the "Cañariaco Norte Project"), the Cañariaco Sur deposit, the Quebrada Verde prospect, and the Jehuamarca prospect (collectively, the "Cañariaco Copper Project") located in Northern Peru. The Company also holds a portfolio of other early stage base metal properties located in Peru.

The Cañariaco Norte Project is currently in the Feasibility Study stage of development. The Cañariaco Sur deposit is currently in the exploration stage. The Quebrada Verde prospect ready for initial drilling.

## **LONG TERM FUNDING FOR THE CAÑARIACO COPPER PROJECT**

In September 2014, the Company retained a financial advisor for the Cañariaco Copper Project in order to facilitate executing strategic and financing plans. In December 2014, the Company received formal Expressions of Interest ("EOIs") in different forms of funding for the Cañariaco Copper Project. Some of the EOIs were further negotiated during 2015, however none of the proposals were completed primarily due to a decrease in the copper price and related deterioration of interest in large copper projects. The Company remains interested in funding forms that include but are not limited to: concentrate off-take, royalties, streaming, loans and joint venture agreements. The Company continues to focus on securing long-term funding for the advancement of the Cañariaco Copper Project.

## **APPOINTMENT OF NEW DIRECTOR**

On January 20, 2015, the Company appointed Paul H. Barry as Independent Director. Mr. Barry has over thirty years of management experience and has served in senior executive roles for several of the world's largest mining and energy companies including Kinross Gold, Duke Energy, Amoco/BP and General Electric. Currently, Mr. Barry is Chief Executive Officer of Public Infrastructure Partners LLC ("PIP"), an operating platform and principal investor in the energy and mining sectors with offices in New York, Houston, Toronto and Charlotte. Mr. Barry is Chairman of the Board of Directors of Candente Gold Corp. (TSXV: CDG).

## **NEW ACTING CHIEF FINANCIAL OFFICER AND MARCH 2015 PRIVATE PLACEMENT**

On March 19, 2015, the Company appointed Mr. Faisal Hussein as new Executive Vice President and Acting Chief Financial Officer of the Company. Mr. Hussein has over fifteen years of finance and operations experience and has successfully completed raising many billions of dollars in global capital markets. Since 2010, Mr. Hussein has been a Principal at PIP.

## **PRIVATE PLACEMENT**

On April 7, 2015, the Company completed a non-brokered private placement by issuing 8,333,330 units (the "Units") at a price of CDN\$0.09 per Unit for gross proceeds of CDN\$750,000. Each Unit is comprised of one common share of the Company and one-half of a share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price CDN\$0.15 per share for a period of two years.

## **REDUCTION OF NON-CORE PROPERTIES**



In June 2015, the Company conducted a review of its exploration property holdings and elected to reduce the number of concessions held at several project areas. The concessions surrendered are not required for the proposed development of the Cañariaco Norte Project and/or in the opinion of management result in lesser exploration potential. The Company solicited external interest for certain of the concessions prior to surrender, however due to the current weak state of the mineral exploration sector, interest was minimal or non-existent.

### **NET SMELTER ROYALTY AGREEMENT**

In September 2015, the Company completed Net Smelter Royalty Agreements (the "Royalty Agreements") between two of the Company's subsidiaries and Exploraciones Apolo Recursos S.A.C., an affiliate of Entrée Gold Inc. ("Entrée").

Pursuant to these agreements, the Company has granted a royalty for a 0.5% net smelter return ("NSR") on its wholly-owned Cañariaco Copper Project in Peru, in exchange for the aggregate sum of \$500,000. The aggregate sum of \$500,000 was received from Entrée upon successful registration of the Royalty Agreements in Peru. Funds will be used for general corporate purposes and activities at the Cañariaco Copper Project including community related activities.

### **RESIGNATION OF INDEPENDENT DIRECTOR**

Effective November 12, 2015, Mr. Wolfgang Nickel resigned from his position as Independent Director of the Company for personal reasons. Mr. Nickel had been a dedicated member of the Board of Directors for the past four years.

### **PROJECT SUMMARIES**

*The forward-looking information contained in this section is subject to the risk factors and assumptions contained in the section "Forward-Looking Statements" included with this MD&A. These factors are described under the heading "Risk Factors" and are Non-GAAP measures.*

#### **Cañariaco Copper Project**

The Cañariaco Copper Project is an advanced stage porphyry copper exploration and development project located in Northern Peru. The Company's main focus is to progress development of the Cañariaco Norte Project through completion of a Feasibility Study and to conduct an exploratory search for additional mineral deposits within the Cañariaco Copper Project.

The Company acquired the Cañariaco Copper Project through a government auction process in 2001, and since acquisition has met all current regulatory requirements to maintain the Cañariaco Copper Project in good standing. The Company has a 100% interest in the mineral rights of the Cañariaco Copper Project.

The Cañariaco Copper Project porphyry system lies within a prolific belt of porphyry copper deposits, which follow a northwesterly trend over 350 km from Cajamarca to the Ecuadorian border. The known porphyry deposits within this belt comprise two types: porphyry copper-molybdenum and porphyry copper-gold deposits. Cañariaco Norte is a porphyry copper-gold deposit.

#### **Mineral Resource Estimate for the Cañariaco Norte Project**

Mineral resource estimate for the Cañariaco Norte Project, as provided below, was prepared by AMEC Americas Ltd. ("AMEC"). A NI 43-101 Technical Report with effective date of November 8, 2010, and titled "Cañariaco Project, Lambayeque Department, Peru, was filed on December 15, 2010, with Canadian securities regulators in support of the resource statement.



**Table 1 - Mineral Resources at Various Copper Cut-off Grades:**

<b>Measured and Indicated Resource Summary</b>									
<b>Cu cut-off</b>	<b>tonnes (M)</b>	<b>Cu Eq*</b>	<b>Cu Eq**</b>	<b>Cu</b>	<b>Au (g/t)</b>	<b>Ag (g/t)</b>	<b>Contained Metal</b>		
							<b>Copper (B lbs)</b>	<b>Gold (M Ozs)</b>	<b>Silver (M Ozs)</b>
<b>0.30%</b>	<b>752.4</b>	<b>0.52%</b>	<b>0.49%</b>	<b>0.45%</b>	<b>0.07</b>	<b>1.9</b>	<b>7.533</b>	<b>1.669</b>	<b>45.237</b>
0.20%	1003.0	0.46%	0.44%	0.40%	0.06	1.7	8.941	2.065	56.102
0.14%	1106.2	0.44%	0.41%	0.38%	0.06	1.7	9.332	2.052	61.665
<b>Inferred Resource Summary</b>									
<b>0.30%</b>	<b>157.7</b>	<b>0.47%</b>	<b>0.44%</b>	<b>0.41%</b>	<b>0.06</b>	<b>1.8</b>	<b>1.434</b>	<b>0.304</b>	<b>8.932</b>
0.20%	293.3	0.38%	0.36%	0.33%	0.05	1.5	2.165	0.472	14.216
0.14%	419.4	0.32%	0.31%	0.28%	0.04	1.3	2.634	0.539	17.969

\*Copper equivalent grade including gold and silver values and based on 100% metal recoveries. Copper grade equivalent calculation.  $Cu Eq\% = (Cu \% + ((Au\ grade \times Au\ price) + (Ag\ grade \times Ag\ price)) / (22.0462 \times Cu\ price \times 31.0135\ g/t))$

\*\*Copper equivalent grade including gold and silver, metal recoveries (gold 55%; silver 50%) and smelter returns (copper 96.5%; gold 93%; silver 90%) applied. Copper grade equivalent calculation:  $Cu Eq\% = (Cu \% + ((Au\ grade \times Au\ price \times Au\ recovery \times Au\ smelter\ return\%) + (Ag\ grade \times Ag\ price \times Ag\ recovery \times Ag\ smelter\ return\%)) / (22.0462 \times Cu\ price \times 31.0135\ g/t \times Cu\ recovery \times Cu\ smelter\ return\%))$

This mineral resource estimate is based on 230 drill holes. Metal prices used by AMEC for the resource estimate were: copper \$2.50/lb, gold \$1,035/oz and silver \$17.25/oz.

In January 2011, AMEC completed a positive pre-feasibility study progress report for the Cañariaco Norte Project entitled "Cañariaco Norte Project, Prefeasibility Study Progress Report (the "January 2011 Pre-Feasibility Study Progress Report"). In March 2011, AMEC completed a NI 43-101 Technical Report entitled "Cañariaco Project, Lambayeque Department, Peru, NI 43-101 Technical Report on Pre-Feasibility Study Progress Report", details of which are disclosed in the Company's Annual Information Form for the year ended December 31, 2011.

The current mine plan is based on Measured and Indicated mineral resources only, with Inferred mineral resources considered as waste (as per National Instrument 43-101 Standards of Disclosure for Mineral Projects). With additional infill drilling the potential exists that some or all of the Inferred resource may be reclassified as Indicated or Measured resource. The metallurgical test work, process development and economic analyses have been completed to a pre-feasibility level; however, additional geotechnical drilling and rock quality assessment is required to complete the open pit slope design to a level consistent with generally accepted pre-feasibility requirements and therefore, this report does not meet the criteria of a Pre-Feasibility Study and is considered to be a Preliminary Economic Assessment under NI 43-101. Additional geotechnical drilling and metallurgical test work are required for completion of the Feasibility Study.

In April 2011, the Company commenced a definitive Feasibility Study on the Cañariaco Norte Project with AMEC as the lead engineering consultant and Knight Piesold as the water management and geotechnical consultant.

In November 2011, the Company completed a re-assessment of the Cañariaco Norte Project economics using the new Peruvian mining tax rates. The after-tax NPV, IRR and payback period for the Cañariaco Norte Project were estimated to be \$912 million, 17.2% and 4.4 years respectively, at a long term copper price of \$2.25 per pound and a discount rate of 8%. The Company also announced, based on feasibility



level engineering development, an increase in the processing rate from 95,000 tonnes per day as proposed in the Prefeasibility Study Progress Report to a range of 100,000 to 110,000 tonnes per day, the selection of a new tailings containment area significantly closer to the proposed process plant, and the selection of a southern mine access route that generally follows the current access road route.

In December 2012, the Company commenced additional drilling at its Cañariaco Norte Project and Cañariaco Sur deposit. As of May 7, 2013, the Company had completed a metallurgical drilling program including 10 holes, 2,761 metres ("m") and completed five of ten planned geotechnical drill holes totaling 2,553m at the Cañariaco Norte Project. Data received from the Cañariaco Norte Project drilling program will become part of the Feasibility Study. In addition, ten widely spaced exploration holes totaling 4,205m were completed at the Cañariaco Sur deposit.

Since June 2013, Feasibility Study activities have been minimized in order to reduce corporate expenditures. The Company has continued with its Community Engagement and Initiatives work in the Cañariaco Copper Project area, although the extent of these activities were significantly reduced in 2015. Key Environmental Impact Assessment activities continued in 2014 to support the development and submittal of an application to modify the current drilling permit to allow an expanded exploration drill program at the Cañariaco Sur deposit and Quebrada Verde prospect. The Company received this modified drilling permit on September 9, 2014, and a new water permit for drilling on January 16, 2015. In 2015, environmental activities were comprised of environmental compliance reporting related to previously completed reclamation of drill sites at the Cañariaco Norte Project and Cañariaco Sur deposit. The Company maintains regular communications with the Ministry of Energy and Mines and other Ministries that share responsibility for mining development and environmental compliance in Peru. The Company intends to resume full Feasibility Study and related activities, upon an improvement in the availability of finance for mineral project development.

On December 31, 2014, Peru's Parliament approved the reduction of the corporate income tax rates payable. Until December 31, 2014, the corporate income tax rate was 30%. Effective January 1, 2015, the applicable corporate income tax rates will be as follows:

- 2015 – 2016: 28%
- 2017 – 2018: 27%
- 2019 onwards: 26%

The current Cañariaco Norte Project financial analysis is based on old tax rates. Going forward, financial analyses for the Cañariaco Norte Project will incorporate the applicable new corporate income rate.

Since the acquisition of the core Cañariaco Copper Project claims in 2001, the Company has added several concessions to cover areas considered attractive for further exploration. Initially, annual holding costs were low, however these costs have increased over time and constitute a significant annual expense. In an effort to reduce non-critical expenditures, in 2015, the Company surrendered a total of 8,495 concessions in the Cañariaco Copper Project area to reduce annual concession payments to the Government of Peru. The concessions surrendered were considered non-core and are not required for the proposed scope of development of the Cañariaco Norte Project. After surrender of the concessions, the Company holds 10,960 hectares of concessions in the Cañariaco Copper Project area.

### **Don Gregorio**

The Don Gregorio property is located in northern Peru 140 km NNE of Chiclayo in the department of Cajamarca and approximately 40 km north of the Cañariaco Norte Project porphyry Cu-Au deposit (M & I resource at 0.3% Cu cut-off: 752Mt at 0.45% Cu, 0.07 g/t Au and 1.9 g/t Ag). A 100 hectare concession at the south end of the property was sold in February 2015, and the property now consists of one mineral concession totaling 900 hectares.

Previous exploration dates back to the 1970s and includes mapping, rock and soil sampling, limited induced



polarization ("IP") surveying, and drilling. Twelve drill holes totaling 1,648m partially tested coincident IP chargeability and copper-gold rock geochemical anomalies. Assays from this drilling included 0.394% copper and 0.18 g/t gold over 153.3m. All holes drilled intersected disseminated and veined porphyry style copper-gold mineralization returning copper and gold grades up to 0.79% and >0.2 g/t, respectively. In addition, a poorly defined supergene sulphide zone was intersected in several holes. Most holes were drilled to depths of <100m and only two holes were drilled to 300m. IP chargeability and copper-gold rock geochemical anomalies indicate that the mineralized system could be much more extensive than currently known.

From 2006 to 2011, the Company collected 20 surface rock chip samples. Highlights of this sampling include the following results: 1.13% copper and 0.902 g/t gold over 9m; 1.23% copper and 0.260 g/t gold over 20m; 1.36% copper and 0.836 g/t gold over 3m.

Approximately 1,000 km line of high-resolution airborne magnetics was completed in August 2012. Data has been processed and will be used to assist geological interpretation and to plan future drill holes.

The property is situated in a favourable location with respect to other porphyry copper-gold deposits in northern Peru, and the Company considers the property to be under-explored, as mineralization remains open laterally and at depth. Further work at Don Gregorio will include detailed mapping, rock chip sampling, and an IP geophysical survey to define the lateral extent of the porphyry system. A 4,000m drill program is planned to follow up this initial work.

#### ***Exploration activities for the year ended December 31, 2015***

There has been no field activity for the reporting period. EOIs to option the property have been received from several companies and the Company is evaluating the potential to advance exploration with a partner.

#### **Arikepay**

The Arikepay property is located in southern Peru in the Department of Arequipa, 58 km south of the city of Arequipa and 45 km south of Freeport-McMoRan's Cerro Verde copper-molybdenum mine. The property consists of six mineral claims totalling 4,000 hectares. Arikepay was known as a copper prospect with sparsely exposed porphyry style alteration on surface. In the 1990's, prior to the Company's ownership of Arikepay, a major mining company drilled four closely spaced reverse circulation drill holes on the property. There was no geological or assay data available to the Company from this drilling.

The Company has conducted reconnaissance mapping and sampling and reported that highly anomalous copper, gold and molybdenum geochemical results were returned from strongly altered and leached rock samples collected from an area of sparsely exposed outcrop on this property. Despite the previous drilling in the 1990's, Company geologists felt that the area was under-explored and that potential for porphyry style mineralization existed under gravel cover to the northwest. Helicopter-borne magnetics surveying was completed for Arikepay in May, 2012 covering a grid comprising 800 line kilometers and all data has been processed. A fourteen-hole reverse circulation ("RC") drilling program was completed in June 2012 for a total of 3,630m and was successful in the discovery of a large porphyry Cu-Au-Ag system. RC chip samples were sent to SGS labs in Lima and subjected to multi-element ICP analyses as well as fire assay for gold. Petrographic studies were conducted on various samples to assist in determining alteration types. The Arikepay porphyry system measures approximately 2,200m by 700-1,200m, is elongated north-northwest and extends to a depth of at least 300m and over half of the known system is covered by younger gravel cover deposits. Strong pyrite mineralization occurs in all but two holes and significant Cu, Au and Ag values occur in all but three holes. Alteration is typical for porphyry systems with widespread propylitic alteration of varying intensity overprinted by moderate to strong phyllic alteration. Potassic alteration is not well defined, likely due to the intensity of the phyllic overprint and relatively shallow depth of drilling (300m maximum). This alteration assemblage is consistent with the area of sparsely exposed alteration in the south part of the system.



Within the overall Arikepay porphyry system is an area of significant Cu-Au-Ag mineralization that measures approximately 1,200m by 800m, trends to the northwest and extends to a depth of at least 300m. This area of significant Cu-Au-Ag mineralization is defined by holes RC-12-ARI-001, 002, 003, 005, 006, 011, 013, 014 and appears to be zoned with respect to Cu, Au and Ag grades. This mineralization is open to depth and to a limited extent to the north.

#### ***Exploration activities for the year ended December 31, 2015***

There has been no exploration activity by the Company for the reporting period.

On November 28, 2013, the Company entered into an option agreement with Compañía Minera Zahena S.A.C. ("Zahena") for its Arikepay copper-gold project. Zahena can earn a 75% interest in Arikepay by making \$5 million in exploration expenditures and \$4 million in payments to the Company within 4 years (the "First Option"). A \$50,000 payment on signing the agreement and 3,000m of drilling within 12 months of receiving all drilling permits are firm commitments. Upon completion of the First Option, Zahena can earn an additional 25% interest, by completing a feasibility study and by paying the Company \$10 million within 5 years of earning its initial 75% interest (the "Second Option"). The completion of the Second Option would result in Zahena earning 100% interest in Arikepay subject to a 2% NSR to the Company. Zahena would retain the right to purchase 1% of the NSR for \$5 million. A final payment of \$5 million will be made within 60 days of commercial production or four years from completion of feasibility whichever comes first.

Currently, Zahena is completing various outstanding items with the ministerial environmental authority prior to commencement of drilling.

Subsequent to year end 2015, in March 2016, Zahena completed an option payment of \$200,000 as required by the terms of the Joint Venture agreement dated November 28, 2013 to Cobriza Metals Inc., a wholly owned subsidiary of the Company. In addition, the Company granted Zahena a one-year extension of the period to complete the minimum drilling requirement under the Joint Venture agreement. The original terms called for the initial drilling program to be completed by March 13, 2016, however the Company has agreed to grant a one-year extension as Zahena has advised the Company that the commencement of drilling has been delayed due to permitting and authorization delays. Drilling is expected to begin by mid-2016.

#### **Miraflores**

The Miraflores property is located in northern Peru in the Province of Chicama, Department of La Libertad, and consists of one claim, Las Flores, totaling 796 hectares. No previous geophysical surveying or drilling has been done on the property.

The Company has carried out reconnaissance mapping and surface rock sampling and in 2012 completed a high resolution helicopter-borne magnetic survey, totaling 395-line km. Although at an early stage of exploration, results from this work indicate potential for porphyry Cu style mineralization. More detailed geological mapping and rock sampling is planned and possibly IP surveying prior to making a decision to drill.

#### ***Exploration activities for the year ended December 31, 2015***

There has been no exploration field activity for the reporting period.

#### **El As De Zinc**

The property is located in central Peru in the department of Huanuco and consists of two mineral concessions totaling 1,400 hectares. The target is strata-bound Mississippi Valley-type Pb-Zn mineralization in carbonate rocks. Previous work includes mapping, rock sampling, local IP surveying and



drilling in the south part of the property. Two of the six drill holes, drilled by Mitsui in 2006, intersected significant Pb-Zn mineralization with the best intersection cutting 22.7m at 0.94% Pb and 5.98% Zn.

In 2012, reconnaissance mapping and sampling over a 12-day period identified four additional mineralized zones up to 15 km north of the area drilled by Mitsui. Fifty-eight rock samples were collected and analyzed returning up to 9.85% Zn. There has been no drilling to the north of the area drilled by Mitsui.

***Exploration activities for the year ended December 31, 2015***

There has been no exploration field activity for the reporting period.

**Las Pavas and La Grama**

The Company surrendered the Las Pavas and La Grama properties in 2015 as a cost reduction measure. Although the Company considered both properties as good prospects they were not considered core holdings.

**CONSOLIDATED OPERATING HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014**

<b>Operating Highlights</b>	<b>December 31, 2015</b>	<b>December 31, 2014 (Restated)</b>	<b>Change</b>
Mineral rights acquisition and surface access	20,329	194,822	(174,493)
Community engagement and initiatives	199,972	507,916	(307,944)
Drilling	9,508	7,323	2,185
Environmental, health and safety	909	54,195	(53,286)
Exploration – geology, geochemistry, geophysics, other	340,706	447,882	(107,176)
Feasibility study	1,086	77,942	(76,856)
Project management and field support	452,759	665,365	(212,606)
<b>Total before exchange differences and royalty payment</b>	<b>1,025,269</b>	<b>1,955,445</b>	<b>(930,176)</b>
Royalty payment received	(500,000)	-	(500,000)
<b>Total mineral properties</b>	<b>\$ 525,269</b>	<b>\$ 1,955,445</b>	<b>\$ (1,430,176)</b>

**Year ended December 31, 2015 versus 2014**

During the year ended December 31, 2015, the main activities at the Cañariaco Copper Project consisted of community based activities under the ongoing Sustainable Development program and environmental monitoring as required by the existing drilling permit. The Company continues to reduce expenditures to a minimum. Feasibility Study engineering activities also remain on hold pending strengthening of the Company's financial resources, completion of geotechnical drilling and metallurgical test work. Additional exploration drilling at the Cañariaco Sur deposit and Quebrada Verde prospect is planned; however, this drilling is contingent on a strengthening of the Company's finances.

Below are mineral property costs incurred for the year-ended December 31, 2015 compared with the year ended December 31, 2015:

- Mineral rights acquisition and surface access expenditures decreased significantly to \$1,025,269 from \$1,955,445 due to the Company dropping certain non-core claims. The goal was to reduce the size of various properties but not to affect key positions. Two properties, Las Pavas and La Grama, were dropped entirely as they were considered to have less attractive exploration potential.





- Community engagement and initiatives relate to the Company's community relations, communication and development programs. Total costs incurred for these programs for the year ended December 31, 2015 totaled \$199,972 versus \$507,916 from the same period in 2014. In 2015, the Company has decreased expenditures community related expenditures to reflect the lower level of activities.
- Drilling costs decreased to \$9,508 from \$7,323 from the same period in 2014.
- Environmental, health and safety costs represent expenditures associated with environmental rehabilitation of drill sites and the Company's health and safety program. There was minimal environmental reclamation or rehabilitation performed during the year.
- Project management and field support costs include costs related to the maintenance of the corporate and operational overhead structure in Peru. Individually, these costs include: salaries and wages of personnel in Lima, Chiclayo and the Cañariaco Copper Project camp facility, communication, transportation, drill core and equipment storehouse facility, food, lodging and fuel costs. For the year ended December 31, 2015, these costs totaled \$452,759 compared with \$665,365 for the same period in 2014, representing a decrease of \$212,606. This decrease is the direct result of a significant decrease in field activities and cost reduction strategies implemented by management.
- During the year ended December 31, 2015, the Company completed the Net Smelter Royalty Agreements (previously noted) for the aggregate sum of \$500,000. The amount received has been recorded as an offset against the Cañariaco Copper Project.

**CONSOLIDATED OPERATING HIGHLIGHTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2015**

<b>Operating Highlights</b>	<b>December 31, 2015</b>	<b>December 31, 2014 (Restated)</b>	<b>Change</b>
Mineral rights acquisition and surface access	(58,457)	(7,064)	(51,393)
Community engagement and initiatives	(111,690)	110,741	(222,431)
Drilling	9,508	2,136	7,372
Environmental, health and safety	(92,675)	6,455	(99,130)
Exploration – geology, geochemistry, geophysics, other	340,706	55,256	285,450
Feasibility study	1,086	4,748	(3,662)
Project management and field support	353,401	118,735	234,666
<b>Total mineral properties</b>	<b>\$ 441,879</b>	<b>\$ 291,007</b>	<b>\$ 150,872</b>



## CONSOLIDATED FINANCIAL HIGHLIGHTS

### Consolidated Financial Performance and Financial Position for the year ended December 31, 2015

For a summary of selected information for each of the last eight quarters and for each of the most recently completed periods ending December 31, 2015, please refer to Appendix A.

Consolidated Statements of Financial Position			
	December 31, 2015	December 31, 2014 (Restated)	Change
Cash	\$ 115,257	\$ 30,126	\$ 85,131
Mineral properties	\$ 64,947,013	\$ 64,916,631	\$ 30,382
Total Assets	\$ 66,000,102	\$ 66,286,485	\$(286,383)
Share Capital	\$ 82,105,922	\$ 81,532,520	\$ 573,402

Consolidated Statement of Loss			
	December 31, 2015	December 31, 2014	Change
Net loss	\$ (1,568,615)	\$ (1,349,725)	\$(218,890)
Loss per share	\$ (0.01)	\$ (0.01)	\$ -
Interest and other income	\$ 18,655	\$ 239,659	\$(221,004)
Management fees, office salaries and benefits	\$ 243,336	\$ 113,229	\$ 130,107
Share-based payments	\$ 200,482	\$ 535,119	\$(334,637)
Regulatory and filing fees	\$ 32,453	\$ 71,028	\$(38,575)
Office, rent, miscellaneous	\$ 99,582	\$ 182,193	\$(82,611)

### Year ended December 31, 2015

Total cash as of December 31, 2015 decreased from December 31, 2014 by \$85,131. The main uses of cash were for general and administration expenses of \$0.56 million and mineral property expenditures of \$0.58 million. These cash outflows were offset against proceeds received from the completion of the Net Smelter Royalty Agreement for the aggregate sum of \$500,000 and the private placements for gross proceeds of CDN\$750,000.

Total assets decreased during the year ended December 31, 2015 by \$0.29 million which was the result of reduced trade and other receivable, prepaid expenses and deposit and amortization on equipment.

Net loss changed for the year ended December 31, 2015 compared to the same period in 2014 by \$0.22 million. The remaining difference was attributed to the below explanations of the key variances of amounts included in total general and administrative expenses for the year ended December 31, 2015:

- Interest and other income decreased by \$221,004 from the previous period due to the sale of gold bullion during the period in 2014. There were no gold bullion sales in 2015.
- Management fees, office salaries and benefits to December 31, 2015 increased by \$130,107 from the same period in 2014 as a result of the Company's recognition and accrual of past services.
- Regulatory and filing fees and office, rent and miscellaneous decreased by \$38,575 and \$82,611 respectively, due to decreased activity and cost cutting initiatives.



- Share-based payment expense for the year ended December 31, 2015 decreased from the same period in 2014 by \$334,637 as the Company issued new options in 2015 and recognized share-based expense in the current period due to gradual vesting of outstanding options.

### **OPERATIONAL OUTLOOK**

*The forward-looking information contained in this section is subject to the risk factors and assumptions contained in the section "Forward-Looking Statements" included with this MD&A. These factors are described under the heading "Risk Factors" and are Non-GAAP measures.*

There has been no drilling activity for the reporting period.

### **LIQUIDITY AND CAPITAL RESOURCES**

The following table summarizes the Company's cash flow activities for the period ended December 31, 2015 and 2014:

	Year ended December 31,		
	2015	2014	Change
<b>Cash Flow</b>			
Provided used in Operating Activities	\$ (413,815)	\$ (1,032,968)	\$ 619,153
Used in Investing Activities	\$ (111,356)	\$ (1,050,267)	\$ 938,911
Provided from Financing Activities	\$ 595,209	\$ 1,195,733	\$ (600,524)
Cash beginning of period	\$ 30,126	\$ 958,044	\$ (927,918)
Cash end of period	\$ 115,257	\$ 30,126	\$ 85,131

### **OPERATING ACTIVITIES**

#### **2015 versus 2014**

Cash flow from operating activities changed from the same period in 2014 by \$619,153. The decrease was mainly the result of foreign exchange, a decrease in share-based payment expense of \$334,637 and the change in timing of the payment of accounts payable during the period.

### **INVESTING ACTIVITIES**

#### **2015 versus 2014**

Cash used for investing activities decreased significantly from 2014 by \$938,911 mainly due to the decrease of expenditures on the Company's mineral properties. Also, the decrease was offset by the receipt of the advance royalty payment.

### **FINANCING ACTIVITIES**

#### **2015 versus 2014**

Cash provided by financing activities decreased from 2014 by \$600,524 due to the completion of a larger private placement in 2014.

### **CAPITAL RESOURCES AND LIQUIDITY OUTLOOK**

The Company's capital resources include existing cash of \$115,257 and trade and other receivables of \$611,092. Given the current global resource sector slowdown, management and board of directors have significantly reduced expenditures and are focusing primarily on initiatives that benefit the community and maintain the Company's presence in the Cañariaco Copper Project area.



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 the year ended December 31, 2015, the Company incurred a net loss of \$1,568,615 and as at December 31, 2015, has \$31.2 million cumulative losses since inception.

The Company does not generate cash flows from operations and accordingly, the Company has depended on financing its activities through the issuance of securities and other financial instruments. 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 obligations as they come due in the normal course of business. These factors 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 amounts on the statement of financial position.

## **SHARE CAPITAL**

As of December 31, 2015 and the date of this report, the Company had 151,718,310 common shares outstanding.

As of December 31, 2015, the Company had 12,456,175 outstanding share options and 9,410,566 outstanding warrants.

As of the date of this report, the Company had 11,831,175 outstanding shares options and 9,410,556 outstanding warrants.

## **COMMITMENTS**

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. The Company has committed \$550,000 (approximately \$400,000 remaining) to fund sustainable development programs subject to specific project approval by the parties. 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.

In April 2013, the Company entered into an agreement to support capacitation for association businesses in the Cañaris District in Northern Peru with the goal of improving the quality of life of rural families in the district of Cañaris through value chain development in coffee, quinoa and forestry. The Company has a commitment of \$172,000 remaining, over a period of three years, to fund sustainable development programs subject to approval by parties.

Due to the complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters currently will not have a material effect on the Consolidated Financial Statements of the Company.

## **RELATED PARTY TRANSACTIONS**

The Company's related parties consist of companies owned by executive officers and directors and Companies with common officers and directors. The following is a list of the related parties that the Company enters into trading transactions with:

- Ridley Rocks Inc. – Management and exploration fees
- SW Project Management – President, project management and engineering fees



- Michael Thicke Geological Consulting Inc. – Exploration fees
- Candente Gold Corp. – Shared expenses with a company related by common directors and management

**a. Related party transactions**

The Company incurred the following fees and expenses and mineral property costs in the normal course of operations in connection with companies owned by key management and directors. Expenses have been measured at the exchange amount that is determined on a cost recovery basis.

	Years ended December 31,	
	2015	2014
Salaries and fees	\$ 540,333	\$ 418,514
Share-based payments	114,098	158,606
	<b>\$ 654,431</b>	<b>\$ 577,120</b>

Share-based payments are the fair value of options expensed to directors and key management personnel during the year.

The Company does not remunerate the directors of the Company unless its market capitalization is greater than \$75 million. In 2015, the Company paid \$nil in directors' fees (2014 - \$nil).

Included in salaries and fees is \$347,148 (2014 - \$124,175) which was capitalized to unproven mineral right interests.

Amounts due to and from related parties are unsecured, non-interest bearing and due on demand. Trade payable and accrued liabilities at December 31, 2015 included approximately \$666,412 due to related parties (December 31, 2014 – \$313,547). Trade and other receivables at December 31, 2015 included \$598,040 (December 31, 2014 - \$635,000) due from Candente Gold Corp., a company with common officers and directors.

**CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company's significant accounting policies are summarized in Note 3 of its consolidated financial statements for the year ended December 31, 2015. The preparation of consolidated financial statements in accordance with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the consolidated financial statements. The Company regularly reviews its estimates however; actual amounts could differ from the estimates used and, accordingly, materially affect the results of operations.

**(a) Critical accounting estimates**

**I. Estimated useful lives**

Management estimates the useful life of equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization for any period are affected by these estimated useful lives. The estimates are reviewed at least annually



and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors could cause significant changes in the estimated useful lives of the Company's equipment in the future.

ii. Valuation of share-based payments and warrants

When options and warrants are issued, the Company calculates estimated fair value using a Black-Scholes valuation model, which may not reflect the actual fair value on exercise. The Company uses historical Company stock prices and estimated dividend yield rates to arrive at the inputs that are used in the valuation model to calculate the fair value of the option or warrant.

iii. Income taxes

Determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each applicable jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize a deferred tax asset could be materially impacted.

(b) Critical accounting judgments

i. Unproven mineral right interest

Unproven mineral right interest include the cost of acquiring licenses, exploration, analyses, project administration, drilling, community relations, sustainable development programs, 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 known deposit. Management is required to exercise significant judgment in determining the timing of the determination of the technical and economic feasibility of the unproven mineral right interest. The Company considers both external and internal sources of information in assessing whether there are any indicators that unproven mineral right interest are impaired. Based upon the Company having no intention of abandoning the Cañariaco Copper Project, the Company's assessment of its market capitalization and the Company's assessment of the fair value based on in-situ mineral content and other fair value less costs to sell measures, management has determined that there is no impairment charge as at December 31, 2015.

ii. Rehabilitation and environmental provisions

The Company has accounted for material rehabilitation and environmental provisions that existed as of the year end based on facts and circumstances that existed as of December 31, 2015. The Company reviews facts and circumstances surrounding its exploration program, existing laws and compliance, contracts and other policies on an ongoing basis. A material restoration obligation involves a number of estimates relating to timing, type of costs and associated contract negotiations, and review of potential methods and technical advancements. At this time rehabilitation and environmental obligations pertain to the reclamation of exploration drill sites, access paths, and other areas at the Cañariaco Copper Project site that may have been impacted by the drilling activities.

**CONTROL MATTERS**



Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management as is appropriate to permit timely decisions regarding public disclosure.

Management is reasonably confident that material information relating to the Company, including its consolidated subsidiaries, is being made known to senior management in a timely manner, and that the Company's disclosure controls and procedures are effective not only with respect to the Company's annual filing requirements but on an ongoing basis.

### **INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")**

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that accurately and fairly reflect the additions to and dispositions of the assets of the Company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and the Company's receipts and expenditures are made only in accordance with authorization of management and the Company's directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual or interim financial statements.

Any system of internal controls over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

An evaluation of the design effectiveness of the Company's internal controls over financial reporting was conducted as of December 31, 2015 by the Company's management. Based on this evaluation, the Company's CEO and CFO have concluded that the design, disclosure controls, procedures and the effectiveness of the Company's internal controls over financial reporting was and is effective. The Board of Directors is ultimately responsible for ensuring that the internal control of financial reporting is effective and has been overseeing the Company's Management in this regard.

There were no changes in the Company's internal control over financial reporting during the period from January 1, 2015 to December 31, 2015 that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

### **RISK FACTORS**

The Company is subject to a number of significant risks due to the nature and the current stage of its business and the effect of worldwide economic conditions. Exploration of unproven mineral right interest involves a high degree of technical, financial and social risk. While discovery of a mineral deposit may result in substantial rewards, few exploration properties are ultimately developed into producing mines. Major expenditures may be required to establish resources and reserves by drilling, constructing mining and process facilities, developing metallurgical processes and extracting base and precious-metals. It is impossible to ensure that the current exploration programs of the Company will result in profitable commercial mining operations.

Risk factors that should be taken into account in assessing the Company's activities and any investment in the Company include, but are not limited to, those listed below. Any one or more of these risk factors could



have a material impact on the financial condition of the Company. This information, by its nature, is not all-inclusive and risk factors that have not been listed could have a material impact on the future financial condition of the Company.

***Economic conditions may prevent the Company from obtaining the capital required to continue operations***

The Company's ability to continue operations is contingent on its ability to obtain additional financing. Equity market conditions, funding environments and the price of the Company's common shares may make it dilutive and difficult to raise funds by the sale of the Company's shares. An investment in the shares of a junior resource company is considered to be a high-risk investment. In the past, the Company has been successful in raising capital for its exploration and development activities; however, there is no assurance that financing will be available to the Company in future periods.

***History of Losses***

The Company incurred a net loss for the year ended December 31, 2015 of \$1.6 million and is expected to generate losses while it continues to be an exploration and development-stage company. The Company anticipates significant expenditures for its mineral exploration programs. The Cañariaco Norte Project has a 43-101 compliant mineral resource and has received a NI 43-101 Technical Report entitled "Cañariaco Project, Lambayeque Department, Peru, NI 43-101 Technical Report on Pre-feasibility Study Progress Report". In addition, Feasibility level studies commenced in April 2011 with AMEC as the lead engineering consultant. Having said this, most exploration projects do not result in the discovery of commercially productive mineral reserves and are ultimately expensed in full. The Company could in fact be required to report net losses into the foreseeable future.

The long-term profitability of the Company's operations will be in part directly related to the success of its exploration programs, which are affected by numerous factors including the cost of such programs, the amount of mineral resources or reserves discovered and fluctuations in the price of any minerals produced.

***Dilution***

The Company does not generate any revenues from production and may not have sufficient financial resources to undertake by itself all of its planned exploration, feasibility and development programs. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company assesses various options for financing however the Company may need to continue its reliance on the sale of such securities for future financing, resulting in potential dilution to the Company's existing shareholders. The amount of additional funds required will depend largely on the success of the Company's exploration programs and extent of future development activities.

Further exploration programs will depend on the Company's ability to obtain additional financing which may not be available under favorable terms, if at all. If adequate financing is not available, the Company may not be able to commence or continue with its exploration and development programs or to meet minimum expenditure requirements to prevent the full or partial loss of its mineral properties.

***No Known Mineral Reserves***

The Company's mineral properties are in the exploration stage and although one property, the Cañariaco Norte Project, has established 43-101 compliant mineral resources, it is without known mineral reserves. Although the Company may discover mineral reserves through its exploration programs, commercial production may not be warranted due to insufficient quantities or unfavourable economic conditions.

In the event a mineral reserve is discovered, substantial expenditures are required to develop the mineral





reserve for production including facilities for mining, processing, infrastructure and transportation. The marketability of any minerals discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately predicted, such as global economic conditions, mineral markets and mineral pricing, global smelting and refining availability, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the price of minerals produced, the Company may determine that it is not warranted to commence or continue commercial production.

### ***Title to Mineral Properties***

The Company believes it has diligently investigated title to all of its mineral properties and, to the best of its knowledge, title to all properties are in good standing. However, the properties may be subject to prior unregistered agreements or transfers, which may affect the validity of the Company's ownership of such properties.

Although the Company has exercised due diligence with respect to title to properties in which it has a material interest, title to such properties may be challenged or impugned in the future. The Company makes a search of mining records in accordance with mining industry practices to confirm that it has acquired satisfactory title to its properties but does not obtain title insurance with respect to such properties. The possibility exists that title to one or more of its properties, particularly title to undeveloped properties, might be defective because of errors or omissions in the chain of title, including defects in conveyances and defects in maintaining such claims. Should a defect in title be discovered by or disclosed to the Company, all reasonable steps would be taken to perfect title to the particular claims in question. The Company is not aware of any material defect in the title to its mineral properties.

A claim on any of the Company's mineral properties, especially if commercially productive mineral resources or reserves are located, could adversely affect the Company's long-term profitability as it may preclude entirely the economic development of a mineral property. Also, such a claim may affect the Company's current operations due to the potential costs, time and efforts of defending against such claims.

### ***Key Personnel***

The Company is dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on the operations of the Company. The Company's success is dependent to a great degree on its ability to attract and retain qualified management personnel. The loss of such key personnel, through incapacity or otherwise, may require the Company to seek and retain other qualified personnel and could compromise the pace and success of its exploration activities. The Company does not maintain key person insurance in the event of a loss of any such key personnel. Also, certain management personnel of the Company are officers and/or directors of other publicly-traded companies and may devote only part of their time to the Company.

Additionally, the Company has relied on and is expected to continue relying upon consultants and others for exploration and development expertise. In the event a commercial mineral deposit is discovered on any of the Company's properties, the Company will likely continue to require the expertise of such consultants and others for the development and operation of a producing mine.

### ***Industry Operating Hazards and Risks***

Mineral exploration and development involves many risks, including location of commercially productive mineral resources or reserves, which may not occur even with a combination of experience, knowledge and careful evaluation. The operations in which the Company has a direct or indirect interest may be subject to some or all of the hazards and risks normally incidental to resource companies, any of which could result in work stoppages. Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides



social disruptions, political instability and the inability to obtain suitable or adequate machinery, equipment or labour are some of the industry operating risks involved in the development and operation of mines and the conduct of exploration programs. Other risks include injury or loss of life, severe damage to or destruction of property, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. The occurrence of any of these operating risks and hazards may have an adverse effect on the Company's financial condition and operations, and may incur legal liability.

Although the Company will, when appropriate, secure liability insurance in an amount which it considers appropriate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that may have a material adverse effect upon its financial condition and operations.

### ***Government Regulations Political Climate***

Mineral exploration on the Company's properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law reform; (iii) tax laws (iv) restrictions on production, price controls, and tax increases; (v) maintenance of claims; (vi) tenure; and (vii) expropriation of property through nationalization, requisition or confiscation. Any mineral exploration activities conducted by the Company, including commencement of production, require permits from governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in development and/or production and other schedules as a result of the need to comply with applicable laws, regulations and permits. All permits required for the conduct of exploration, development and mining operations, including the construction of mining facilities, may not be obtainable by the Company on reasonable terms, which would have an adverse effect on any mining project the Company might undertake. Additionally, failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining exploration, development or operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

To the best of the Company's knowledge, the Company is and will continue to operate in compliance with applicable legal and environmental regulations and social requirements. However, amendments to current governmental laws and regulations affecting mining companies, or the more stringent application thereof, or shifts in political conditions or attitudes could adversely affect the Company's operations including the potential to curtail or cease exploration programs or to preclude entirely the economic viability of a mineral property. The extent of future changes to governmental laws and regulations cannot be predicted or quantified, but it should be assumed that such laws and regulations will become more stringent in the future. Generally, new laws and regulations will result in increased compliance costs, including costs and time and effort for obtaining permits, and increased delays or fines resulting from loss of permits or failure to comply with the new requirements.

### ***Social Climate***

Social acceptance to operate during the various stages of a mining project is an integral part of operating such that lack thereof provides a very real risk during the exploration, exploitation and closure stages of mine development. In addition, the fact that the means and tools to manage social acceptance are not an exact science adds to the level of risk.



The Company has established Corporate Social Responsibility policies and programs that include:

- Regular communication with various members of the Community regarding their concerns and needs as well as our activities and objectives.
- Social and Sustainable Development projects and alliances with local and International Non-Governmental Organizations ("NGOs") that are committed to improving the lives of families in under-developed regions.

The Company considers these initiatives as a foundation for building a positive and mutually beneficial long-term relationship with the various stakeholders in the Cañariaco Copper Project.

### ***Environmental Liability***

Although the Company is not aware of any formal claims for damages related to any impact that its activities have had on the environment, it may become subject to such claims in the future. An environmental claim could adversely affect the Company's business due to the high costs of defending against such claims and its impact on senior management's time.

The Company conducts exploration activities in Peru. Such activities are subject to various laws, rules and regulations governing the protection of the environment. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed properties and a heightened degree of responsibility for companies and their officers, directors and employees.

The Company is committed to compliance with all environmental regulations currently applicable, nevertheless environmental hazards may exist on the Company's mineral properties, which are not known to the Company at present, that have been caused by previous or existing owners or operators.

Environmental regulations may change in the future which could adversely affect the Company's activities including the potential to curtail or cease exploration programs or to preclude entirely the economic development of a mineral property. The extent of any future changes to environmental regulations cannot be predicted or quantified, but it should be assumed that such regulations will become more stringent in the future. Generally, new regulations will result in increased compliance costs, including costs for obtaining permits, delays or fines resulting from loss of permits or failure to comply with the new regulations.

### ***Fluctuations in Metal Prices***

Although the Company does not hold any known mineral reserves, its future revenues, if any, are expected to be in large part derived from the future mining and sale of base and precious metals or interests related thereto. The prices of these commodities have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to other new mine developments and improved mining and production methods, availability and costs of metal substitutes, metal stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the price of base and precious metals, and therefore the economic viability of the Company's operations, cannot be accurately predicted.

Depending on the price obtained for any minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

Additional information, including the Company's most recent Annual Information Form, is available on SEDAR at <http://www.sedar.com>



**APPENDIX A**

*Summary of selected quarterly financial information for each of the three most recently completed years for the year ended December 31, 2015*

	Consolidated Statements of Financial Position		
	December 31, 2015	December 31, 2014 (Restated)	December 31, 2013 (Restated)
Cash	\$ 115,257	\$ 30,126	\$ 958,044
Mineral properties	\$ 64,947,013	\$ 64,916,631	\$ 63,091,846
Total assets	\$ 66,000,102	\$ 66,286,485	\$ 66,104,547
Share capital	\$ 82,105,922	\$ 81,532,520	\$ 80,358,375
	Year ended Consolidated Statement of Loss		
	December 31, 2015	December 31, 2014	December 31, 2013
Net loss	\$ (1,568,615)	\$ (1,349,725)	\$ (2,025,682)
Loss per share attributable to shareholders, basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)

*Summary of quarterly financial results*

	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net loss	\$ (913,378)	\$ (275,772)	\$ (267,873)	\$ (111,592)	\$ (488,945)	\$ (410,938)	\$ (333,864)	\$ (115,978)
Loss Per Share Attributable to Shareholders Basic and Diluted	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.00)