Candente Copper Corp.
Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in United States dollars, unless otherwise noted)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Candente Copper Corp.:

We have audited the consolidated financial statements of Candente Copper Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Candente Copper Corp. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Candente Copper Corp.'s ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 2, 2018

Candente Copper Corp.
Consolidated statements of financial position
As at December 31, 2017 and December 31, 2016
(Expressed in United States dollars unless otherwise noted)

	Notes		December 31, 2017		December 31, 2016
Assets					
Current assets					
Cash		$	**392,453**	$	335,781
Receivable for sale of a subsidiary	4		**406,478**		-
Prepaid expenses and deposits			**5,224**		4,308
Total current assets			**804,155**		340,089
Non-current assets					
Trade and other receivables	11		**617,773**		625,890
Receivable for sale of a subsidiary	4		**165,976**		-
Investment	5		**132,396**		164,940
Unproven mineral right interests	6		**62,790,239**		64,788,587
Equipment	7		**137,651**		188,992
Total non-current assets			**63,844,035**		65,768,409
Total assets		$	**64,648,190**	$	66,108,498
Liabilities					
Current liabilities					
Trade payables and accrued liabilities	8,11	$	**1,645,776**	$	1,780,744
Total current liabilities			**1,645,776**		1,780,744
Equity					
Share capital	9		**83,941,785**		82,951,197
Reserves	9		**12,971,902**		12,960,297
Accumulated deficit			**(33,911,273)**		(31,583,740)
Total equity			**63,002,414**		64,327,754
Total liabilities and equity		$	**64,648,190**	$	66,108,498

General information and going concern (Note 1)

Commitments (Note 10)

Approved on behalf of the Board of Directors on March 29, 2018

(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, 2017 and 2016
(Expressed in United States dollars unless otherwise noted)

	Notes		Years ended December 31, 2017		2016
Expenses					
General and administrative expenses	**12**	**$**	**480,583**	$	776,665
Other expenses					
Impairment of unproven mineral rights interest	**6**		**-**		453,159
Gain on forgiveness of payables	**11**		**-**		(429,134)
Loss on sale of subsidiary	**4**		**1,874,481**		-
Gain on foreign exchange			**(13,640)**		(368,050)
Interest and other income	**4**		**(13,891)**		(2,505)
Net loss			**2,327,533**		430,135
Other comprehensive (income) loss					
Items that will be reclassified to profit or loss:					
Change in fair value of investment			**(42,468)**		84,935
Items that will not be reclassified to profit or loss:					
Exchange difference on translation of parent			**40,237**		(20,961)
			(2,231)		63,974
Comprehensive loss		**$**	**2,325,302**	$	494,109
Loss per share attributable to shareholders					
Basic and diluted		**$**	**(0.01)**	$	(0.00)
Weighted average number of common shares outstanding: basic and diluted			**169,429,103**		156,925,360

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, 2017 and 2016
(Expressed in United States dollars unless otherwise noted)

	Share Capital		Reserves					
	Total common shares	**Share capital**	**Equity settled employee compensation and warrants**	**Foreign currency**	**Available for sale assets**	**Total reserves**	**Deficit**	**Total**
Balance at January 1, 2017	**164,869,750**	**$ 82,951,197**	**$ 13,325,544**	**$ (450,182)**	**$ 84,935**	**$ 12,960,297**	**$ (31,583,740)**	**$ 64,327,754**
Common shares issued for debt net of issue costs	**1,250,000**	**99,449**	**45,683**	**-**	**-**	**45,683**	**-**	**145,132**
Common shares issued for financing net of issue costs	**11,581,780**	**816,504**	**-**	**-**	**-**	**-**	**-**	**816,504**
Stock options exercised for cash	**500,000**	**74,635**	**(31,847)**	**-**	**-**	**(31,847)**	**-**	**42,788**
Net loss	**-**	**-**	**-**	**-**	**-**	**-**	**(2,327,533)**	**(2,327,533)**
Change in fair value of investment	**-**	**-**	**-**	**-**	**(42,468)**	**(42,468)**	**-**	**(42,468)**
Cumulative translation adjustment	**-**	**-**	**-**	**40,237**	**-**	**40,237**	**-**	**40,237**
Balance at December 31, 2017	**178,201,530**	**$ 83,941,785**	**$ 13,339,380**	**$ (409,945)**	**$ 42,467**	**$ 12,971,902**	**$ (33,911,273)**	**$ 63,002,414**

	Share Capital		Reserves					
	Total common shares	Share capital	Equity settled employee compensation and warrants	Foreign currency reserve	Available for sale assets	Total reserves	Deficit	Total
Balance at January 1, 2016	151,718,310	$ 82,105,922	$ 13,023,531	$ (429,221)	$ -	$ 12,594,310	$ (31,153,605)	$ 63,546,627
Common shares issued for financing net of issue costs	11,926,440	773,515	-	-	-	-	-	773,515
Stock options exercised for cash	1,225,000	71,760	(26,313)	-	-	(26,313)	-	45,447
Share-based payments	-	-	328,326	-	-	328,326	-	328,326
Net loss	-	-	-	-	-	-	(430,135)	(430,135)
Change in fair value of investment	-	-	-	-	84,935	84,935	-	84,935
Cumulative translation adjustment	-	-	-	(20,961)	-	(20,961)	-	(20,961)
Balance at December 31, 2016	164,869,750	$ 82,951,197	$ 13,325,544	$ (450,182)	$ 84,935	$ 12,960,297	$ (31,583,740)	$ 64,327,754

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, 2017 and 2016
(Expressed in United States dollars unless otherwise noted)

		2017		2016
Cash provided by (used in):				
Loss for the year	$	(2,327,533)	$	(430,135)
Items not affecting cash:				
Amortization		39,275		49,839
Loss on sale of subsidiary		1,874,481		-
Interest income		(13,891)		-
Loss on foreign exchange		9,274		(20,784)
Share-based payments		-		328,326
Gain on forgiveness of debt		-		(429,134)
Impairment of properties		-		453,159
Changes in non-cash working capital items:				
Decrease in amounts receivable		8,117		(14,798)
Decrease (increase) in prepaid expenses and deposits		(916)		2,993
Increase (decrease) in accounts payable and accrued liabilities		158,417		(241,792)
Net cash used in operating activities		(252,776)		(302,326)
Investing				
Addition to unproven mineral rights interests		(473,634)		(426,440)
Purchase of capital assets		(15,456)		-
Disposal of equipment		-		603
Proceeds from sale of subsidiary		100,000		-
Proceeds from option payment		100,000		200,000
Royalty payment received		5,921		-
Changes in value added taxes paid		(139,228)		(68,293)
Net cash used in investing activities		(422,397)		(294,130)
Financing				
Issuance of common shares for cash, net of issuance costs		668,251		773,515
Exercise of options		42,788		45,447
Loan payable		-		(1,805)
Net cash provided by financing activities		711,039		817,157
Effect of exchange rate changes on cash		20,806		(177)
Net change in cash		56,672		220,524
Cash at beginning of year		335,781		115,257
Cash at end of year	$	392,453	$	335,781

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 Lambayaque. The Company was incorporated on May 1, 1997 under the Business Corporation Act of British Columbia and its principal office is located at Suite 1100-1111 Melville Street, Vancouver British Columbia, V6E 3V6.

The principal subsidiaries of the Company as at December 31, 2017 are as follows:

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on April 2, 2018**.**

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 years ended December 31, 2017 and 2016, the Company incurred operating losses of approximately $2.3 million and $0.4 million respectively, and as at December 31, 2017, the Company has $33.9 million in cumulative losses since inception and current liabilities exceed current assets by $0.8 million. The Company does not generate cash flows from operations and accordingly, the Company will need to raise additional funds through the issuance of securities, resource secured debt or joint venture projects. Although, the Company has been successful in raising funds in the past there can be no assurance that the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. The Company is subject to sovereign risk, including political and economic instability, changes in existing government regulations relating to mining, as well as currency fluctuations and local inflation. These factors are material uncertainties that may cast significant doubt regarding the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statement of financial position.

2. Statement of Compliance and Basis of Presentation

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") in effect as of December 31, 2017.

These consolidated financial statements have been prepared on historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the 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. Unproven mineral right interests and impairment

Unproven mineral right interests, 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. During the year ended December 31, 2016, the Company decided to allow certain claims to lapse and the mineral property costs related to these claims were written off, resulting in an impairment charge of $453,159 as at December 31, 2016. (Note 6)

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.

3. Significant Accounting Policies (continued)

Intercompany transactions, balances and income and expenses on transactions between the Company and its subsidiaries are eliminated on consolidation.

c. Foreign currency translation

The functional currency of subsidiaries is the currency of the primary economic environment in which the entity operates, which has been determined to be the U.S. dollar. 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 retranslated 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. Unproven mineral right interests

The Company capitalizes all costs, net of any recoveries, of acquiring, exploring and evaluating an unproven 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.

There may be material uncertainties associated with the Company's title and ownership of its unproven mineral right interests. Ordinarily the Company does not own the land upon which an interest is located, and title may be subject to unregistered prior agreements or transfers or other undetected defects.

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, amortization methods and useful lives of all assets are assessed annually.

3. Significant Accounting Policies (continued)

e. Equipment (continued)

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.

f. Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or fair value through profit or loss ("FVTPL"). Financial assets classified as FVTPL are other assets and are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) unless there is a significant or prolonged decline in the fair value of that investment below its cost, at which time the impairment is recognized in profit or loss. Any subsequent decreases in value are recognized directly in profit or loss.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

3. Significant Accounting Policies (continued)

f. Financial instruments (continued)

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

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 using the balance sheet method, 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.

3. Significant Accounting Policies (continued)

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 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. 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.

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 unproven mineral right interests. Costs are estimated on the basis of a formal closure plan and are subject to regular review. As of December 31, 2017, the Company has recognized a provision of $Nil (2016 -$Nil).

3. Significant Accounting Policies (continued)

j. Impairment

Impairment of financial assets

The Company assesses at each date of the statement of financial position whether there are any indicators that the Company's financial assets are impaired.

Assets measured at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the impairment is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Assets measured at fair value

If an available for sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available for sale are not recognized in profit or loss.

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.

3. Significant Accounting Policies (continued)

j. Impairment (continued)

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.

k. Cash and cash equivalents

Cash and cash equivalents include cash and term deposits with an original maturity of three months or less and are measured at fair value through profit and loss.

l. 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.

m. Application of new and revised accounting standards effective January 1, 2017

The Company has evaluated new and revised IFRS standards and has determined there to be no material impact on the consolidated financial statements upon adoption.

n. Future accounting standards

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee (“IFRIC”) but not yet effective as at December 31, 2017. The Company intends to adopt these standards and interpretations when they become effective. The Company does not expect these standards to have an impact on its consolidated financial statements.

(Expressed in United States dollars unless otherwise noted)

4. Receivable for Sale of a Subsidiary

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

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

Subsequent to the sale, the Company granted the purchaser two payment-free months, thereby extending the payment period by two months.

The receivable was initially recorded at face value of $656,922 less a discount of $98,592 for a net amount of $558,330. The receivable was discounted using a rate of 20%, which is the estimated market rate of interest on equivalent third-party financing. During the year ended December 31, 2017, the discount was amortized by $13,891 which was included in interest income.

		December 31, 2017		December 31, 2016
Current portion	**$**	**406,478**	$	-
Long term portion		**165,976**		-
	$	**572,454**	$	-

The Company recorded a loss on sale of $1,874,481, representing the fair value of the consideration received and receivable on closing of the sale of Minera Candente less the book value of the net assets sold, as presented below:

Consideration	**$**	**658,330**
Less:		
Value-added tax		**2,505,289**
Equipment		**27,522**
Net assets of Minera Candente		**2,532,811**
Loss on sale of subsidiary	**$**	**(1,874,481)**

5. Investments

		Cost		**Fair Value December 31, 2017**		Fair Value December 31, 2016
Candente Gold Corp.	**$**	**1,909,094**	**$**	**132,396**	$	164,940

At December 31, 2017, the Company held 5,536,373 (2016 – 5,536,373) shares of Candente Gold Corp. ("Candente Gold"), a company with common officers and directors. The closing share price was CDN$0.03 (2016 – CDN$0.04) and the fair value of the Company's investment in Candente Gold was $132,396 (2016 - $164,940). During the year ended December 31, 2017, the Company recognized an unrealized loss of $42,468 (2016: income of $84,935) in other comprehensive income.

(Expressed in United States dollars unless otherwise noted)

6. Unproven Mineral Right Interests

As of December 31, 2017, the Company's mineral properties consist of the following:

Cañariaco Property, located in Lambayeque, Peru	Balance as at January 1, 2017	Mining property expenditures	**Balance as at December 31, 2017**
Mineral rights acquisition and surface access	$ 1,659,427	$ 123,319	$ **1,782,746**
Community engagement and initiatives	4,390,568	166,892	**4,557,460**
Drilling	9,770,307	-	**9,770,307**
Environmental health and safety	1,313,559	978	**1,314,537**
Exploration	9,834,981	1,243	**9,836,224**
Feasibility study	10,884,797	-	**10,884,797**
Project field support and administration	22,533,465	165,790	**22,699,255**
Cost recoveries	-	(8,500)	**(8,500)**
Royalty payment received	(500,000)	(5,921)	**(505,921)**
	$ 59,887,104	$ 443,801	$ **60,330,905**
Cobriza Metals Peruvian properties			
Mineral rights acquisition and surface access	$ 1,152,160	$ 15,300	$ **1,167,460**
Concession and surface right acquisition costs	157,912	-	**157,912**
Option payments received*	(50,000)	-	**(50,000)**
Community engagement and initiatives	977	3,782	**4,759**
Environmental health and safety	15,785	-	**15,785**
Exploration	93,972	-	**93,972**
Project management and field support	37,208	4,830	**42,038**
Option payments received	(200,000)	(100,000)	**(300,000)**
Impairment of unproven mineral rights interest	(453,159)	-	**(453,159)**
	$ 754,855	$ (76,088)	$ **678,767**
Total mineral properties before value-added tax credit	$ 60,641,959	$ 367,713	$ **61,009,672**
Value-added tax credit **	4,146,628	139,228	**4,285,856**
Sale of subsidiary - value-added tax credit	-	(2,505,289)	**(2,505,289)**
Total mineral properties	$ 64,788,587	$ (1,998,348)	$ **62,790,239**

*The optionee discontinued the option agreement dated November 28, 2013, to earn interest in the Arikepay project held by Cobriza

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

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

(Expressed in United States dollars unless otherwise noted)

6. Unproven Mineral Right Interests (continued)

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

As of December 31, 2016, the Company’s mineral properties consist of the following:

Cañariaco Property, located in Lambayeque, Peru	Balance as at January 1, 2016	Mining property expenditures	**Balance as at December 31, 2016**
Mineral rights acquisition and surface access	$ 1,547,161	$ 112,266	$ **1,659,427**
Community engagement and initiatives	4,364,604	25,964	**4,390,568**
Drilling	9,759,018	11,289	**9,770,307**
Environmental health and safety	1,313,559	-	**1,313,559**
Exploration	9,781,303	53,678	**9,834,981**
Feasibility study	10,884,797	-	**10,884,797**
Project field support and administration	22,318,322	215,143	**22,533,465**
Royalty payment received	(500,000)	-	**(500,000)**
	59,468,764	418,340	**59,887,104**
Cobriza Metals Peruvian properties			
Mineral rights acquisition and surface access	1,152,160	-	**1,152,160**
Concession and surface right acquisition costs	157,912	-	**157,912**
Option payments received	(50,000)	-	**(50,000)**
Community engagement and initiatives	977	-	**977**
Environmental health and safety	15,785	-	**15,785**
Exploration	93,972	-	**93,972**
Project management and field support	29,108	8,100	**37,208**
Option payments received	-	(200,000)	**(200,000)**
Impairment of unproven mineral rights interest	-	(453,159)	**(453,159)**
	1,399,914	(645,059)	**754,855**
Total mineral properties before value-added tax credit	60,868,678	(226,719)	**60,641,959**
Value-added tax credit *	4,078,335	68,293	**4,146,628**
Total mineral properties	$ 64,947,013	$ (158,426)	$ **64,788,587**

(Expressed in United States dollars unless otherwise noted)

6. Unproven Mineral Right Interests (continued)

During the year ended December 31, 2016, the Company decided to allow two claims that formed part of the Cobriza Metal Peruvian properties to lapse. Total costs of $453,159 associated with these claims were written off and charged to impairment in the statement of loss for that year.

During the year ended December 31, 2016, an optionee made an option payment of $200,000 as required by the terms of the option agreement dated November 28, 2013 with Cobriza Metals Inc. ("Cobriza"), a wholly owned subsidiary of the Company. Pursuant to the option agreement, the optionee could earn a 75% interest in the Arikepay project held by Cobriza by making $5,000,000 in exploration expenditures and $4,000,000 payments in cash. As at December 31, 2016, $250,000 of the payments had been received and the remaining balance was to be paid in 2017 to 2019. In addition, the Company granted the optionee a one-year extension of the period to complete the minimum drilling requirement under the option agreement. During the year ended December 31, 2017, the optionee terminated the option agreement.

7. Equipment

		Equipment		Vehicles		Leaseholds		Total
At cost								
As at December 31, 2015	$	713,366	$	28,509	$	8,120	$	749,995
Disposals		(2,045)		-		-		(2,045)
As at December 31, 2016		711,321		28,509		8,120		747,950
Additions		11,283		4,173		-		15,456
Sale of subsidiary		(113,775)		-		-		(113,775)
As at December 31, 2017	$	608,829	$	32,682	$	8,120	$	649,631
Accumulated depreciation								
As at December 31, 2015	$	(479,911)	$	(24,093)	$	(6,557)	$	(510,561)
Additions		(45,974)		(3,865)		-		(49,839)
Disposals		1,442		-		-		1,442
As at December 31, 2016		(524,443)		(27,958)		(6,557)		(558,958)
Additions		(37,733)		(551)		(991)		(39,275)
Sale of subsidiary		86,253		-		-		86,253
As at December 31, 2017	**$**	**(475,923)**	**$**	**(28,509)**	**$**	**(7,548)**	**$**	**(511,980)**
Net book value								
As at December 31, 2016	$	186,878	$	551	$	1,563	$	188,992
As at December 31, 2017	**$**	**132,906**	**$**	**4,173**	**$**	**572**	**$**	**137,651**

8. Trade Payables and Accrued Liabilities

		December 31, 2017		December 31, 2016
Trade payables	**$**	**550,887**	$	730,750
Due to related parties (Note 11)		**425,394**		357,881
Accrued liabilities		**669,495**		678,707
Loans from related parties (Note 11)		**-**		13,406
	$	**1,645,776**	$	1,780,744

9. Share Capital

a. Shares authorized

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

b. Common share issue

As at December 31, 2017, the Company had 178,201,530 (December 31, 2016 – 164,869,750) common shares issued and outstanding.

On February 22, 2017, the Company issued 1,250,000 units of the Company in settlement of $150,000 of debt owed to Energold Drilling Per S.A.C. Each unit consisted of one common share and one-half of one common share purchase warrant, whereby each whole warrant entitles the holder thereof to purchase one common share at CDN$0.15 per common share for a period of two years from the date of issue. The fair value of the shares was $104,317. The warrants were valued at $45,683 using the residual method. Share issue costs of $4,868 were incurred in connection with the private placement.

On September 14, 2017, the Company completed a private placement, issuing 11,581,780 units at a price of CDN$0.09 per unit for gross proceeds of $854,534 (CDN$1,042,360) which includes shares issued for the settlement of debts owed to directors in the amount of $64,051 and to settle trade payables of $79,334. Each unit consisted of one common share and one-half of one common share purchase warrant, whereby each whole warrant entitles the holder thereof to purchase one common share at CDN$0.15 per common share for a period of two years from the date of issue. The warrants were valued at $Nil using the residual method. Share issue costs of $38,030 were incurred in connection with the private placement.

During the year ending December 31, 2017, 500,000 options were exercised for cash proceeds of $42,788 (CDN $55,000).

On July 29, 2016, the Company closed a non-brokered private placement. The Company raised $813,836 (CDN$1,073,380) through the issuance of 11,926,440 units at a price of CDN$0.09 per unit. Each unit consisted of one common share and one-half of one common share purchase warrant, whereby each whole warrant entitles the holder thereof to purchase one common share at CDN$0.15 per common share for a period of two years from the date of issue. The Company incurred $40,321 in share issuance costs in relation to this private placement.

During the year ended December 31, 2016 1,225,000 stock options were exercised for cash proceeds of $45,447 (CDN$61,250).

c. Share options

The Company has an incentive share option plan (the “Plan”). Under the Plan, a total of 10% of the Company’s outstanding common shares are reserved for the issuance of shares at the discretion of the Board of Directors. The terms of each option award, is 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)

9. Share Capital (continued)

c. Share options (continued)

The changes in stock options were as follows:

	Number of options	Weighted average exercise price (CDN$)
Options outstanding, December 31, 2015	12,456,175	$0.40
Options granted	4,220,000	$0.11
Options exercised	(1,225,000)	$0.05
Options forfeited	(1,107,500)	$0.86
Options expired	(687,500)	$2.13
Options outstanding, December 31, 2016	13,656,175	$0.22
Options exercised	(500,000)	$0.11
Options cancelled	(1,045,000)	$0.49
Options expired	(531,675)	$0.49
Options outstanding, December 31, 2017	**11,579,500**	**$0.19**

On May 20, 2016, the Company issued 4,220,000 incentive stock options to key members of the Company at an exercise price of CDN$0.11 per share and exercisable for ten years. The options vested immediately. The fair value of the options granted was $261,442 (CDN$346,280, or CDN $0.0821 per option) determined using the Black Scholes Option Pricing Model with the following assumptions: risk free rate of 1.35%, volatility of 84.22%, and expected life of 10 years.

Total stock based compensation for the year ended December 31, 2017 was $Nil (2016 – $328,326) relating to the vesting of options.

Stock options outstanding at December 31, 2017 were as follows:

	Exercisable		Outstanding		
Grant Date	**Exercise Price**	**Number of Options**	**Exercise Price**	**Number of Options**	**Expiry Date**
September 5, 2013	$0.30	2,400,000	$0.30	2,400,000	September 5, 2018
January 21, 2014	$0.30	200,000	$0.30	200,000	January 21, 2019
January 23, 2014	$0.30	1,465,000	$0.30	1,465,000	January 23, 2019
August 20, 2014	$0.30	1,319,500	$0.30	1,319,500	August 20, 2019
November 16, 2015	$0.05	2,475,000	$0.05	2,475,000	November 16, 2020
May 20, 2016	$0.11	3,720,000	$0.11	3,720,000	May 20, 2026
Weighted Average	$0.19	11,579,500	$0.19	11,579,500	

(Expressed in United States dollars unless otherwise noted)

9. Share Capital (continued)

d. Warrants

	Number of Warrants	Weighted Average Exercise Price
Warrants Outstanding, December 31, 2015	9,410,566	CDN$0.20
Issued	5,963,220	CDN$0.15
Expired	(4,968,944)	CDN$0.25
Warrants Outstanding, December 31, 2016	10,404,842	CDN$0.15
Issued	6,415,889	CDN$0.15
Expired	(631,820)	CDN$0.15
Warrants Outstanding, December 31, 2017	16,188,911	CDN$0.15

During the year ended December 31, 2017, the Company extended the expiry date of an aggregate of 3,534,842 common share purchase warrants issued to subscribers (the "Subscriber Warrants") and 274,960 common share purchase warrants issued to finders (the “Finders Warrants”) pursuant to the Company's private placement financing, which closed in two tranches on March 20, 2015 (“First Tranche”), and April 2, 2015 (“Second Tranche”), respectively. The expiry dates of 2,160,399 Subscriber Warrants and 214,760 Finder Warrants issued pursuant to the First Tranche and 1,374,443 Subscriber Warrants and 60,200 Finder Warrants issued pursuant to the Second Tranche have been extended from March 20, 2017, and April 2, 2017, respectively, until July 29, 2018.

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.

Available for sale reserve:

The available for sale reserve records unrealized gains and losses arising on available for sale financial assets except for impairment losses and foreign exchange gains and losses.

Foreign currency reserve:

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

10. Commitments

Community engagement and initiatives

In July 8, 2012, the Company signed a land use agreement with the community of San Juan de Cañaris, by which the community authorized the Company to use the land for exploration purposes for three years. The Company had committed 1,500,000 soles ($550,000) to fund sustainable development programs subject to specific project approval by 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. While much of this funding was

(Expressed in United States dollars unless otherwise noted)

10. Commitments (continued)

completed by July 8, 2013, there are still some remaining commitments related to this which will be negotiated as part of the next community agreement.

11. Related Party Disclosure

Key management compensation:

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

	Years ended December 31,	
	2017	2016
Salaries and fees	**$ 135,940**	$ 178,336
Share-based payments	**-**	298,561
	$ 135,940	$ 476,897

The Company does not remunerate the directors of the Company unless its market capitalization is greater than $75 million. In 2017, the Company paid $Nil in directors' fees (2016 - $Nil).

Included in salaries and fees is $57,393 (2016 - $72,773) 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 payables and accrued liabilities at December 31, 2017, included $425,394 due to related parties (December 31, 2016 – $371,287). Trade and other receivables at December 31, 2017, included $591,508 (December 31, 2016 - $595,362) due from Candente Gold Corp., a company with common officers and directors.

During the year ended December 31, 2017, the President, CEO, and VP Exploration forgave fees owed to them in the amount of $Nil (2016 – $429,134).

(Expressed in United States dollars unless otherwise noted)

12. General and Administrative Expenses

	Years ended			
	December 31, 2017		December 31, 2016	
GENERAL AND ADMINISTRATIVE				
Amortization	**$**	**39,275**	$	49,839
Accounting, audit and tax advisory fees		**55,278**		64,623
Bank charges and interest		**3,526**		3,925
Legal		**38,985**		9,404
Management fees, office salaries and benefits (Note 11)		**167,495**		175,606
Office, rent and miscellaneous		**45,594**		62,450
Travel and accommodations		**132**		3,250
Regulatory and filing fees		**45,971**		33,229
Shareholder communications		**84,327**		46,013
Share-based payments		**-**		328,326
Total general and administrative expenses	**$**	**480,583**	$	776,665

13. Segmented Information

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

14. Income Taxes

Income tax expense reported differs from the amount computed by applying the combined Canadian federal and provincial income tax rates, applicable to the Company, to the loss before the tax provision due to the following:

	For the year ended			
	December 31, 2016		December 31, 2016	
Applicable income tax rate		**26%**		26%
Loss for the year before income taxes	**$**	**2,327,532**	$	430,135
Expected income tax recovery at the applicable tax rate		**605,158**		111,835
Expenses not deductible for tax purposes:				
Share based payment and other permanent differences		**10,937**		10,328
Non-deductible accounting (loss) and non-taxable accounting gain		**67,296**		10,219
Foreign exchange on foreign operations		**(100,954)**		(2,833)
Difference in tax rate in foreign operations		**41,902**		117,362
True up of tax provision from prior year		**157,813**		1,128,603
Tax effect of tax losses and temporary differences not recognized and other		**(782,152)**		(1,375,514)
Income tax expense	**$**	**-**	$	-

The Canadian federal corporate tax rate and British Columbia provincial tax rate remained unchanged during 2016. Peruvian income tax rates are 28% in 2016, 29.5% in 2017 to 2018, and 26% in 2019 and thereafter.

(Expressed in United States dollars unless otherwise noted)

14. Income taxes (continued)

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

	For the year ended December 31, 2017	December 31, 2016
Deferred tax asset: non-capital losses net of valuation allowance	**$ 2,589,276**	$ 1,975,246
Deferred tax liability: mineral properties	**(2,589,276)**	(1,975,246)
Net deferred tax	**$ -**	$ -

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

	For the year ended December 31, 2017	December 31, 2016
Non-capital losses	**$ 29,885,538**	$ 24,741,601
Share issue costs	**84,406**	74,133
Equipment	**50,421**	47,111
Unrealized loss on investments	**1,776,698**	1,744,154
Unrecognized deductible temporary differences	**$ 31,797,063**	$ 26,606,999

At December 31, 2017, the Company has non-capital operating losses of approximately $17.2 million (2016 - $12.3 million) and had resource-related amounts available, subject to certain restrictions, for deduction against future taxable income in Canada. The operating losses expire as follows:

2026	**$ 1,167,232**
2027	**1,496,046**
2028	**2,248,899**
2029	**1,016,480**
2030	**579,916**
2031	**1,445,768**
2032	**2,098,724**
2033	**1,571,534**
2034	**655,238**
2035	**867,895**
2035	**4,043,610**
	$ 17,191,342

The Company also had net operating loss carry-forwards for tax purposes of approximately $12.6 million (2016 - $12.4 million) and resource related amounts totaling approximately $37.5 million (2016- $38.7 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.

15. Financial risk and capital management

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

a. 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.

b. Currency risk

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

c. Credit risk

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

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

As mentioned in Note 11, $591,508 of the trade receivable balance as at December 31, 2017, is due from Candente Gold Corp, a related party. At December 31, 2017, Candente Gold Corp's assets are in the exploration stage and the Company does not have sufficient cash or cash flows to pay the amount due. Management considers that this receivable is recoverable. However, credit risk associated with this receivable is considered high.

The Company also has a receivable of $572,454 associated with the sale of Minera Candente which is payable over a period of 17 months. The purchaser has made all required payments to date. Management considers that this receivable is recoverable, and that credit risk associated with this receivable is moderate.

As at December 31, 2017, the Company's maximum exposure to credit risk is the carrying value of its cash and receivables.

d. Capital management

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

(Expressed in United States dollars unless otherwise noted)

15. Financial risk and capital management (continued)

d. Capital management (continued)

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. The total capital being managed by the Company as of the balance sheet dates, December 31, 2017, and December 31, 2016, is as follows:

		As at December 31, 2017		As at December 31, 2016
Total working capital deficiency	**$**	**(841,621)**	$	(1,440,655)
Total equity		**63,002,414**		64,327,754
Total capital	**$**	**62,160,793**	$	62,887,099

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.

Fair value hierarchy

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

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. Subsequent Events

Subsequent to December 31, 2017, the Company entered into agreements with creditors and directors to settle Cdn$490,717 of debt with the issuance of an aggregate of 3,216,023 common shares, subject to receipt of regulatory approval. Of this total, officers and directors are to receive 1,710,986 shares in settlement of debt owing to them.