Candente Copper Corp.
Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(Expressed in United States dollars, unless otherwise noted)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Candente Copper Corp.:

Opinion

We have audited the consolidated financial statements of Candente Copper Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material
- misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

March 29, 2019

Candente Copper Corp.
Consolidated statements of financial position
As at December 31, 2018 and December 31, 2017
(Expressed in United States dollars unless otherwise noted)

	Notes		**December 31, 2018**		December 31, 2017
Assets					
Current assets					
Cash		$	**7,882**	$	392,453
Receivable for sale of a subsidiary	**4**		**260,003**		406,478
Prepaid expenses and deposits			**13,843**		5,224
Total current assets			**281,728**		804,155
Non-current assets					
Trade and other receivables	**11**		**558,358**		617,773
Receivable for sale of a subsidiary	**4**		**-**		165,976
Investments	**5**		**81,107**		132,396
Unproven mineral right interests	**6**		**63,226,793**		62,790,239
Equipment	**7**		**111,003**		137,651
Total non-current assets			**63,977,261**		63,844,035
Total assets		$	**64,258,989**	$	64,648,190
Liabilities					
Current liabilities					
Trade payables and accrued liabilities	**8,11**	$	**1,465,799**	$	1,645,776
Total current liabilities			**1,465,799**		1,645,776
Equity					
Share capital	**9**		**84,161,013**		83,941,785
Reserves	**9**		**12,880,403**		12,971,902
Accumulated deficit			**(34,248,226)**		(33,911,273)
Total equity			**62,793,190**		63,002,414
Total liabilities and equity		$	**64,258,989**	$	64,648,190

General information and going concern (Note 1)

Commitments (Note 10)

Approved on behalf of the Board of Directors on March 29, 2019

(signed) Andres Milla **(signed) George Elliott**

Director **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, 2018 and 2017
(Expressed in United States dollars unless otherwise noted)

	Notes		2018		2017
Expenses					
General and administrative expenses	**12**	**$**	**468,473**	$	480,583
Other expenses					
Gain on settlement of payables	**9**		**(94,518)**		-
Gain on forgiveness of payable	**11**		**(13,892)**		-
Loss on sale of subsidiary	**4**		**-**		1,874,481
Revaluation gain on discounted receivable	**4**		**(5,255)**		-
Impairment of unproven mineral right interests	**6**		**13,200**		-
(Gain) loss on foreign exchange			**48,660**		(13,640)
Interest income	**4**		**(79,715)**		(13,891)
Net loss			**336,953**		2,327,533
Other comprehensive loss					
Items that will not be reclassified to profit or loss:					
Change in fair value of investment	**5**		**44,197**		42,468
Exchange difference on translation of parent			**59,009**		(40,237)
			103,206		2,231
Comprehensive loss		**$**	**440,159**	$	2,329,764
Loss per share attributable to shareholders:					
basic and diluted		**$**	**(0.00)**	$	(0.01)
Weighted average number of common shares outstanding: basic and diluted			**179,551,115**		169,429,103

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, 2018 and 2017
(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	**Notes**	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	**9**	1,250,000	104,317	45,683	-	-	45,683	-	150,000
Common shares issued for financing	**9**	11,581,780	854,534	-	-	-	-	-	854,534
Share issuance costs	**9**	-	(42,898)	-	-	-	-	-	(42,898)
Stock options exercised for cash	**9**	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
Balance at January 1, 2018		**178,201,529**	**$ 83,941,785**	**$ 13,339,380**	**$ (409,945)**	**$ 42,467**	**$ 12,971,902**	**$ (33,911,273)**	**$ 63,002,414**
Common shares issued for debt	**9**	**1,434,276**	**105,446**	**-**	**-**	**-**	**-**	**-**	**105,446**
Share issuance costs	**9**	**-**	**(9,486)**	**-**	**-**	**-**	**-**	**-**	**(9,486)**
Common shares issued for exercise of options	**9**	**1,000,000**	**65,664**	**-**	**-**	**-**	**-**	**-**	**65,664**
Reallocation of fair value of options exercised		**-**	**57,604**	**(57,604)**	**-**	**-**	**(57,604)**	**-**	**-**
Share-based payments	**9**	**-**	**-**	**69,311**	**-**	**-**	**69,311**	**-**	**69,311**
Net loss		**-**	**-**	**-**	**-**	**-**	**-**	**(336,953)**	**(336,953)**
Change in fair value of investment	**5**	**-**	**-**	**-**	**-**	**(44,197)**	**(44,197)**	**-**	**(44,197)**
Cumulative translation adjustment		**-**	**-**	**-**	**(59,009)**	**-**	**(59,009)**	**-**	**(59,009)**
Balance at December 31, 2018		**180,635,805**	**$ 84,161,013**	**$ 13,351,087**	**$ (468,954)**	**$ (1,730)**	**$ 12,880,403**	**$ (34,248,226)**	**$ 62,793,190**

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, 2018 and 2017
(Expressed in United States dollars unless otherwise noted)

	December 31, 2018	December 31, 2017
Cash provided by (used in):		
Loss for the year	$ **(336,953)**	$ (2,327,533)
Items not affecting cash:		
Amortization	**26,648**	39,275
Loss on sale of subsidiary	**-**	1,874,481
Share-based payments	**69,311**	-
Revaluation gain on discounted receivable	**(5,255)**	-
Impairment of exploration assets	**13,200**	-
Gain on settlement of payables	**(94,518)**	-
Gain on forgiveness of payables	**(13,892)**	-
Interest income	**(79,715)**	(13,891)
Foreign exchange	**17,885**	30,080
Changes in non-cash working capital items:		
Decrease in amounts receivable	**16,173**	8,117
Increase in prepaid expenses and deposits	**(2,075)**	(916)
Increase in accounts payable and accrued liabilities	**44,519**	158,417
Net cash used in operating activities	**(344,672)**	(231,970)
Investing		
Addition to unproven mineral rights interests	**(557,562)**	(473,634)
Purchase of capital assets	**-**	(15,456)
Payments received for sale of subsidiary	**392,000**	100,000
Proceeds from option payments	**-**	100,000
Royalty payment received	**-**	5,921
Changes in value added taxes paid	**(33,542)**	(139,228)
Net cash used in investing activities	**(199,104)**	(422,397)
Financing		
Issuance of common shares for cash, net of issuance costs	**-**	668,251
Advances from related parties	**93,601**	-
Exercise of options, net of share issuance costs	**65,604**	42,788
Net cash provided by financing activities	**159,205**	711,039
Net change in cash	**(384,571)**	56,672
Cash at beginning of year	**392,453**	335,781
Cash at end of year	$ **7,882**	$ 392,453

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, 2018 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 March 29, 2019.

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, 2018 and 2017, the Company incurred operating losses of approximately $0.3 million and $2.3 million respectively, and as at December 31, 2018, the Company has $34.2 million in cumulative losses since inception and current liabilities exceed current assets by $1.2 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, 2018.

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.

ii. Going concern

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

iii. Valuation of share-based payments and warrants

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

b. Basis of consolidation

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

3. Significant Accounting Policies (continued)

c. Foreign currency translation

The functional currency of subsidiaries is the currency of the primary economic environment in which the entity operates, 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 translated at the period end exchange rates. Non-monetary items are measured using historical cost in a foreign currency and are translated using the exchange rate at the date of the transaction. Non- monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

d. 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.

e. Equipment

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

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

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

3. Significant Accounting Policies (continued)

e. Equipment (continued)

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

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

(i) Classification

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

(ii) Measurement

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

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

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

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

3. New Accounting Standards and Interpretations

Financial Instruments (continued)

(iii) Impairment of financial assets at amortized cost

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

(iv) Derecognition

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

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

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

g. Income taxes

Current Taxation

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

Deferred Taxation

Deferred tax is recognized 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

3. Significant Accounting Policies (continued)

g. Income taxes (continued)

recognized at the same time that the liability to pay the related dividend is recognized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

h. Share based payments

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

In situations where equity instruments are issued for goods or services provided by non-employees, the share-based payment is measured at the fair value of the goods and services received. Where 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, 2018, the Company has recognized a provision of $Nil (2017 -$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.

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.

3. Significant Accounting Policies (continued)

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. Future accounting standards

Leases
On January 13, 2016, the IASB published a new standard, IFRS 16, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company continues to assess the impact of adopting this standard on its consolidated financial statements.

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

4. Receivable for Sale of a Subsidiary

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

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

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

Payment terms, established in August 2018, included 12 monthly payments of $20,000 starting in August 2018, three additional quarterly payments of $48,000, and a final payment of $88,922 on March 24, 2019. Since November 2018, the buyer has been unable to make payments and $264,922 remains

(Expressed in United States dollars unless otherwise noted)

4. Receivable for Sale of a Subsidiary (continued)

outstanding. Subsequent to the year end, the Company recommenced negotiations on the terms of the payments.

The receivable is 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, 2018, the discount was amortized by $79,715 which was included in interest income.

Transactions for the years ended December 31, 2018 and 2017 are as follows:

		2018		2017
Opening Balance	$	572,454	$	-
Receivable on sale of subsidiary		-		558,330
Payments received		(392,000)		-
Revaluation gain		5,255		-
Interest		79,715		13,891
Foreign exchange adjustment		(5,421)		233
Closing Balance	$	260,003	$	572,454

		December 31, 2018		December 31, 2017
Current portion	$	260,003	$	406,478
Long term portion		-		165,976
	$	260,003	$	572,454

During the year ended December 31, 2017, the Company recorded a loss on sale of subsidiary of $1,874,481, representing the fair value of the consideration received and receivable for 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

At December 31, 2017, the Company held 5,536,373 (2017 - 5,536,373) shares of Candente Gold Corp. (“Candente Gold”), a company with common officers and directors. The closing share price was CDN$0.02 (2017 - CDN$0.03) and the fair value of the Company’s investment in Candente Gold was $81,107 (2017 - $132,396). During the year ended December 31, 2018, the Company recognized an unrealized loss of $44,197 (2017 - $42,468) in other comprehensive income.

(Expressed in United States dollars unless otherwise noted)

6. Unproven Mineral Right Interests

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

Cañariaco Property, located in Lambayeque, Peru		Balance as at January 1, 2018		Mining property expenditures		**Balance as at December 31, 2018**
Mineral rights acquisition and surface access	$	1,782,746	$	121,555	$	**1,904,301**
Community engagement and initiatives		4,557,460		144,053		**4,701,513**
Drilling		9,770,307		-		**9,770,307**
Environmental health and safety		1,314,537		4,668		**1,319,205**
Exploration		9,836,224		749		**9,836,973**
Feasibility study		10,884,797		-		**10,884,797**
Project field support and administration		22,699,255		199,225		**22,898,480**
Cost recoveries		(8,500)		(41,643)		**(50,143)**
Royalty payments received		(505,921)		-		**(505,921)**
	$	60,330,905	$	428,607	$	**60,759,512**
Cobriza Metals Peruvian properties						
Mineral rights acquisition and surface access	$	1,167,460	$	20,700	$	**1,188,160**
Concession and surface right acquisition costs		157,912		-		**157,912**
Community engagement and initiatives		4,759		13,483		**18,242**
Environmental health and safety		15,785		-		**15,785**
Exploration		93,972		3,053		**97,025**
Project management and field support		42,038		3,955		**45,993**
Option payments received		(350,000)		-		**(350,000)**
Impairment of unproven mineral rights interest		(453,159)		(13,200)		**(466,359)**
	$	678,767	$	27,991	$	**706,758**
Total mineral properties before value-added tax credit	$	61,009,672	$	456,598	$	**61,466,270**
Value-added tax credit **	$	1,780,567	$	(20,044)	$	**1,760,523**
Total mineral properties	$	62,790,239	$	436,554	$	**63,226,793**

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

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

In accordance with the option agreement, Plan B has the right to earn a 60% interest in the Don Gregorio property from the Company by making staged payments totalling $500,000 to the Company, making a payment of $8,500 (paid) and drilling 10,000 metres within 3 years of receiving drilling permits. To date, the Company has received $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 metres) and the final $200,000 within 60 days of completing the second phase drill program (an additional 5,000 metres).

(Expressed in United States dollars unless otherwise noted)

6. Unproven Mineral Right Interests (continued)

As of December 31, 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**
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	(250,000)	(100,000)	**(350,000)**
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**

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. Pursuant to the option agreement, the optionee could earn a 75% interest in the Arikepay project held by Cobriza by incurring $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. During the year ended December 31, 2017, the optionee terminated the option agreement.

(Expressed in United States dollars unless otherwise noted)

7. Equipment

	Equipment	Vehicles	Leaseholds	Total
Cost				
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
Additions	-	-	-	-
Disposals	(3,220)	-	-	(3,220)
As at December 31, 2018	$ 605,609	$ 32,682	$ 8,120	$ 646,411
Accumulated depreciation				
As at December 31, 2016	$ (524,443)	$ (27,958)	$ (6,557)	$ (558,958)
Additions (Note 12)	(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)
Additions (Note 12)	(24,824)	(1,252)	(572)	(26,648)
Disposals	3,220	-	-	3,220
As at December 31, 2018	$ (497,527)	$ (29,761)	$ (8,120)	$ (535,408)
Net book value				
As at December 31, 2017	$ 132,906	$ 4,173	$ 572	$ 137,651
As at December 31, 2018	**$ 108,082**	**$ 2,921**	**$ -**	**$ 111,003**

8. Trade Payables and Accrued Liabilities

	December 31, 2018	December 31, 2017
Trade payables	**$ 388,226**	$ 550,887
Due to related parties (Note 11)	**357,347**	425,394
Accrued liabilities	**720,226**	669,495
	$ 1,465,799	$ 1,645,776

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

Pursuant to the agreement, the Company is required to issue 2,638,771 common shares of the Company (Note 16) and to make a series of payments to AMEC under two alternatives at the option of the Company as follows:

i)	Immediately upon signing	$ 50,000
	December 15, 2018	100,000
	March 31, 2019	150,000
	June 30, 2019	150,000
	September 30, 2019	150,000
		$600,000
	or	
ii)	Immediately upon signing	$ 50,000
	December 15, 2018	100,000
	June 30, 2019	375,000
		$525,000

As at December 31, 2018, the Company had paid $50,000.

9. Share Capital

a. Shares authorized

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

b. Common shares issued

As at December 31, 2018, the Company had 180,635,805 (December 31, 2017 – 178,201,530) common shares issued and outstanding.

On March 1, 2018, the Company issued 723,290 common shares of the Company with a fair value of $61,911 in settlement of a trade payable of $135,479. The Company recorded a gain on settlement of payables of $73,568. Share issue costs of $4,727 were incurred in connection with the share issuance.

On July 9, 2018, 1,000,000 stock options at a weighted average exercise price of CDN $0.09 per share were exercised for proceeds of $65,664.

On August 20, 2018, the Company issued 710,986 common shares of the Company with a fair value of $43,535 in settlement of the payable of $65,080 to the former CFO. The Company recorded a gain on settlement of payables of $21,545. Share issue costs of $4,759 were incurred in connection with the share issuance.

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

c. Share options

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

(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, 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
Options issued	3,350,000	$0.07
Options exercised	(1,000,000)	$0.09
Options cancelled	(560,000)	$0.21
Options expired	(2,400,000)	$0.30
Options outstanding, December 31, 2018	**10,969,500**	**$0.13**

During the year ended December 31, 2018, the Company issued 3,350,000 stock options to key members of the Company at a weighted average exercise price of CDN$0.07 per share and exercisable for five years. The options vested 25% upon issue and 25% every three months thereafter. The fair value of the options granted was $125,466 (CDN$162,566) determined using the Black Scholes Option Pricing Model with the following weighted average assumptions: risk free rate of 2.38%, volatility of 107.39%, and expected life of 5 years.

Total stock-based compensation for the year ended December 31, 2018 was $69,311 (2017 – $Nil) relating to the vesting of options.

Stock options outstanding at December 31, 2018 were as follows:

	Exercisable		Outstanding		
Grant Date	Exercise Price (CDN$)	Number of Options	Exercise Price (CDN$)	Number of Options	Expiry Date
January 21, 2014	$0.30	200,000	$0.30	200,000	January 21, 2019
January 23, 2014	$0.30	1,215,000	$0.30	1,215,000	January 23, 2019
August 20, 2014	$0.30	1,219,500	$0.30	1,219,500	August 20, 2019
November 16, 2015	$0.05	1,865,000	$0.05	1,865,000	November 16, 2020
May 20, 2016	$0.11	3,120,000	$0.11	3,120,000	May 20, 2026
April 2, 2018	$0.09	75,000	$0.09	100,000	April 2, 2023
August 1, 2018	$0.09	100,000	$0.09	200,000	August 1, 2023
October 1, 2018	$0.07	75,000	$0.07	300,000	October 1, 2023
October 12, 2018	$0.07	75,000	$0.07	300,000	October 12, 2023
November 19, 2018	$0.07	612,500	$0.07	2,450,000	November 19, 2023
Weighted Average	$0.15	8,557,000	$0.13	10,969,500	

(Expressed in United States dollars unless otherwise noted)

9. Share Capital (continued)

d. Warrants

	Number of Warrants	Weighted Average Exercise Price (CDN$)
Warrants Outstanding, December 31, 2016	10,404,842	0.15
Issued	6,415,889	0.15
Expired	(631,820)	0.15
Warrants Outstanding, December 31, 2017	16,188,911	0.15
Expired	(4,365,359)	0.15
Warrants Outstanding, December 31, 2018	11,823,552	0.15

Warrants outstanding at December 31, 2018 were as follows:

Expiry Date	Exercise Price	Number of Warrants Outstanding
February 22, 2019	$0.15	625,000
September 14, 2019	$0.15	5,790,889
July 29, 2020	$0.15	5,407,663
Weighted Average	$0.15	11,823,552

During the year ended December 31, 2018:

1) The Company extended the exercise period of a total of 5,407,663 outstanding share purchase warrants (the “Warrants”) with an exercise price of CDN $0.15 issued pursuant to the private placement completed on July 29, 2016. The original expiry date was July 29, 2018 and the new expiration date is July 29, 2020. The Company did not extend the exercise period of 555,555 warrants held directly or indirectly by related parties and these warrants expired unexercised.

2) 4,365,359 warrants with an exercise price of $0.15 expired unexercised.

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.

(Expressed in United States dollars unless otherwise noted)

9. Share Capital (continued)

e. Reserves (continued)

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.

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,			
		2018		2017
Salaries and fees	**$**	**84,528**	$	135,940
Share-based payments		**51,516**		-
	$	**136,044**	$	135,940

The Company does not remunerate the directors of the Company unless its market capitalization is greater than $75 million. In 2018, the Company paid $Nil in directors' fees (2017 - $Nil).

Included in salaries and fees is $37,835 (2017 - $57,393) which was capitalized to unproven mineral right interests.

On August 20, 2018, the Company issued 710,986 common shares of the Company with a fair value of $43,535 in settlement of a payable of $65,080 to the former CFO. The Company recorded a gain on settlement of payables of $21,545.

During the year ended December 31, 2018, the former CFO forgave fees owed to him in the amount of $13,892 (2017 – $Nil).

During the year ended December 31, 2018, two directors and an officer advanced amounts totaling $93,601 to the Company. The advances are unsecured, non-interest bearing and are due on demand. The advances are included in trade payables and accrued liabilities (Note 8).

(Expressed in United States dollars unless otherwise noted)

11. Related Party Disclosure (continued)

Amounts due to and from related parties are unsecured, non-interest bearing and due on demand. Trade payables and accrued liabilities at December 31, 2018, included $357,347 due to related parties (December 31, 2017 – $425,394) (Note 8). Trade and other receivables at December 31, 2018, included $549,935 (December 31, 2017 - $591,508) due from Candente Gold Corp., a company with common officers and directors.

12. General and Administrative Expenses

	Years ended			
		December 31, 2018		December 31, 2017
GENERAL AND ADMINISTRATIVE				
Amortization (Note 7)	**$**	**26,648**	$	39,275
Accounting, audit and tax advisory fees		**56,346**		55,278
Bank charges and interest		**2,635**		3,526
Legal		**34,009**		38,985
Management fees, office salaries and benefits (Note 11)		**148,012**		167,495
Office, rent and miscellaneous		**51,634**		45,594
Travel and accommodations		**2,334**		132
Regulatory and filing fees		**32,669**		45,971
Share-based payments		**69,311**		-
Shareholder communications		**44,875**		84,327
Total general and administrative expenses	**$**	**468,473**	$	480,583

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.

(Expressed in United States dollars unless otherwise noted)

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, 2018		December 31, 2017
Applicable income tax rate		**27%**		26%
Loss for the year before income taxes		**336,953**	$	2,327,533
Expected income tax recovery at the applicable tax rate		**90,977**		605,158
Share based payment and other permanent differences		**15,725**		10,937
Non-deductible accounting (loss) and non-taxable accounting gain		**(38,617)**		67,296
Foreign exchange on foreign operations		**(2,211,395)**		(100,954)
Difference in tax rate in foreign operations		**(55,607)**		41,902
True up of tax provision from prior year		**600,224**		157,813
Tax effect of tax losses and temporary differences not recognized and other		**1,425,426**		(782,152)
Change in tax rate		**173,267**		-
Income tax expense	**$**	**-**	$	-

The Canadian combined federal corporate tax rate and British Columbia provincial tax rate increased to 27% for 2018. Peruvian income tax rates are 29.5% in 2017 to 2018, and 26% in 2019 and thereafter.

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

	For the year ended			
		December 31, 2018		December 31, 2017
Deferred tax asset: non-capital losses net of valuation allowance	**$**	**3,794,743**	$	2,589,276
Deferred tax liability: mineral properties		**(3,794,743)**		(2,589,276)
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, 2018		December 31, 2017
Non-capital losses	**$**	**27,639,035**	$	29,885,538
Share issue costs		**49,129**		84,406
Equipment		**54,054**		50,421
Unrealized loss on investments		**1,827,987**		1,776,698
Unrecognized deductible temporary differences	**$**	**29,570,205**	$	31,797,063

(Expressed in United States dollars unless otherwise noted)

14. Income Taxes (continued)

At December 31, 2018, the Company has non-capital operating losses of approximately $13.1 million (2017 - $17.2 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	$	1,073,326
2027		1,375,687
2028		2,067,972
2029		934,703
2030		533,260
2031		1,329,570
2032		1,930,104
2033		1,445,206
2034		602,523
2035		798,087
2036		406,119
2037		451,776
2038		188,718
	$	**13,137,051**

The Company also had net operating loss carry-forwards for tax purposes of approximately $14.5 million (2017 - $12.6 million) and resource related amounts totaling approximately $33.9 million (2017- $37.5 million), subject to certain restrictions, for deduction against future taxable income in Peru. The Company has the option to carry forward all net operating losses for four years, or carry the losses forward indefinitely, but only up to 50% of the Company's taxable income of each subsequent year.

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.

(Expressed in United States dollars unless otherwise noted)

15. Financial risk and capital management (continued)

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, $549,935 of the trade receivable balance as at December 31, 2018, is due from Candente Gold Corp, a related party. At December 31, 2018, Candente Gold Corp's assets are in the exploration stage and the Company does not have sufficient cash or cash flows to pay the amount due. Management considers that this receivable is recoverable. However, credit risk associated with this receivable is considered moderate.

The Company also has a receivable of $260,003 associated with the sale of Minera Candente which is payable over a period of 17 months. The purchaser has missed the last four payments, for a total of $88,000, as of December 31, 2018. Management considers that this receivable is recoverable, and that credit risk associated with this receivable is moderate.

As at December 31, 2018, 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.

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, 2018, and December 31, 2017 is as follows:

		As at December 31, 2018		As at December 31, 2017
Total working capital deficiency	**$**	**(1,184,071)**	$	(841,621)
Total equity		**62,793,190**		63,002,414
Total capital	**$**	**61,609,119**	$	62,160,793

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 amortized cost using the effective interest method and approximates fair value.

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

15. Financial risk and capital management (continued)

Fair value hierarchy (continued)

- 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 year.

16. Subsequent Events

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

b) In January 2019, the Company received a loan of $100,000 from a director. The loan is unsecured, non-interest bearing and is due on demand.

c) In the first quarter of 2019, the Company made a payment of $100,000 and issued 2,638,771 common shares to settle debt of $241,750 in accordance with the debt settlement agreement to settle liabilities owed by the Company's subsidiary, Canariaco (Note 8).

d) On February 25, 2019, the Company issued 1,837,692 common shares to Energold Drilling Peru S.A.C. to settle debt of $98,718 in accordance with a debt settlement agreement entered into on January 11, 2019 to settle trade liabilities owed by the Company's subsidiary, Canariaco.

e) 625,000 warrants exercisable at $0.12 and 1,415,000 stock options exercisable at $0.30 expired.