CANDENTE
COPPER CORP

Candente Copper Corp.
Consolidated Financial Statements
For the years ended December 31, 2019 and 2018
(Expressed in United States dollars, unless otherwise noted)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Candente Copper Corp.

Opinion

We have audited the accompanying consolidated financial statements of Candente Copper Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of comprehensive loss, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit 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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements for the year ended December 31, 2019, the Company incurred a net loss of $793,917. As at December 31, 2019, the Company has $35,042,143 in cumulative losses since inception and current liabilities exceed current assets by $1,248,803. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matters

The consolidated financial statements of Candente Copper Corp. for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on March 29, 2019.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, 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.

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 IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but 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 consolidated 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor’s report is David Harris.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada | Chartered Professional Accountants

March 30, 2020

Candente Copper Corp.
Consolidated statements of financial position
As at December 31, 2019 and December 31, 2018
(Expressed in United States dollars unless otherwise noted)

	Notes	December 31, 2019	December 31, 2018
Assets			
Current assets			
Cash		$ -	$ 7,882
Receivable for sale of a subsidiary	4	99,581	260,003
Prepaid expenses and deposits		9,058	13,843
Total current assets		108,639	281,728
Non-current assets			
Receivables	11	13,203	558,358
Investments	5	106,567	81,107
Unproven mineral right interests	6	63,691,933	63,226,793
Equipment	7	88,262	111,003
Total non-current assets		63,899,965	63,977,261
Total assets		$ 64,008,604	$ 64,258,989
Liabilities			
Current liabilities			
Bank overdraft		$ 42	$ -
Trade payables and accrued liabilities	8,11	1,357,400	1,465,799
Total current liabilities		1,357,442	1,465,799
Equity			
Share capital	9	84,732,929	84,161,013
Reserves	9	12,960,376	12,880,403
Accumulated deficit		(35,042,143)	(34,248,226)
Total equity		62,651,162	62,793,190
Total liabilities and equity		$ 64,008,604	$ 64,258,989

General information and going concern (Note 1)

Commitments (Note 10)

Subsequent events (Note 16)

Approved on behalf of the Board of Directors on March 26, 2020

(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, 2019 and 2018
(Expressed in United States dollars unless otherwise noted)

	Notes		2019		2018
Expenses					
General and administrative expenses	**12**	**$**	**465,332**	$	468,473
Other expenses					
Gain on settlement of payables	**9**		**(91,028)**		(94,518)
Gain on forgiveness of payable	**11**		**-**		(13,892)
Gain on sale of vehicles			**(11,780)**		-
Impairment of related party receivable	**11**		**494,728**		-
Revaluation gain on discounted receivable	**4**		**-**		(5,255)
Impairment of unproven mineral right interests	**6**		**-**		13,200
(Gain) loss on foreign exchange			**(29,819)**		48,660
Other income			**(429)**		-
Interest income	**4**		**(33,087)**		(79,715)
Net loss			**793,917**		336,953
Other comprehensive (income) loss					
Items that will not be reclassified to profit or loss:					
Change in fair value of investment	**5**		**(20,863)**		44,197
Exchange difference on translation of parent			**26,691**		59,009
			5,828		103,206
Comprehensive loss		**$**	**799,745**	$	440,159
Loss per share attributable to shareholders: basic and diluted		**$**	**0.00**	$	(0.00)
Weighted average number of common shares outstanding: basic and diluted			**193,151,795**		179,551,115

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

Candente Copper Corp.
Consolidated statements of changes in equity
For years ended December 31, 2019 and 2018
(Expressed in United States dollars unless otherwise noted)

		Share Capital		Reserves					
	Notes	Total common shares	Share capital	Equity settled employee compensation and warrants	Foreign currency	Available for sale assets	Total reserves	Deficit	Total
Balance at January 1, 2018		178,201,529	$ 83,941,785	$ 13,339,380	$ (409,945)	$ 42,467	$12,971,902	$ (33,911,273)	$ 63,002,414
Common shares issued for debt	9	1,434,276	105,446	-	-	-	-	-	105,446
Common shares issued for exercise of options	9	1,000,000	65,664	-	-	-	-	-	65,664
Share issuance costs	9	-	(9,486)	-	-	-	-	-	(9,486)
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		-	-	-	-	(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
Balance at January 1, 2019		**180,635,805**	**$ 84,161,013**	**$ 13,351,087**	**$ (468,954)**	**$ (1,730)**	**$12,880,403**	**$ (34,248,226)**	**$ 62,793,190**
Common shares issued for debt	9	**4,476,463**	**152,908**	**-**	**-**	**-**	**-**	**-**	**152,908**
Common shares issued for financing	9	**9,550,000**	**361,184**	**21,035**	**-**	**-**	**21,035**	**-**	**382,219**
Common shares issued upon exercise of options	9	**175,000**	**17,285**	**-**	**-**	**-**	**-**	**-**	**17,285**
Reallocation of fair value of options exercised		**-**	**9,161**	**(9,161)**	**-**	**-**	**(9,161)**	**-**	**-**
Share issuance costs	9	**-**	**(19,031)**	**-**	**-**	**-**	**-**	**-**	**(19,031)**
Finders shares issued	9	**168,000**	**6,335**	**-**	**-**	**-**	**-**	**-**	**6,335**
Finders warrants issued	9	**-**	**(1,609)**	**1,609**	**-**	**-**	**1,609**	**-**	**-**
Share-based payments	9	**-**	**-**	**118,001**	**-**	**-**	**118,001**	**-**	**118,001**
Expiry of warrants	9	**-**	**45,683**	**(45,683)**	**-**	**-**	**(45,683)**	**-**	**-**
Net loss		**-**	**-**	**-**	**-**	**-**	**-**	**(793,917)**	**(793,917)**
Change in fair value of investment		**-**	**-**	**-**	**-**	**20,863**	**20,863**	**-**	**20,863**
Cumulative translation adjustment		**-**	**-**	**-**	**(26,691)**	**-**	**(26,691)**	**-**	**(26,691)**
Balance at December 31, 2019		**195,005,268**	**$ 84,732,929**	**$ 13,436,888**	**$ (495,645)**	**$ 19,133**	**$12,960,376**	**$ (35,042,143)**	**$ 62,651,162**

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, 2019 and 2018
(Expressed in United States dollars unless otherwise noted)

	2019	2018
Cash provided by (used in):		
Income (loss) for the year	**$ (793,917)**	$ (336,953)
Items not affecting cash:		
Amortization	**19,914**	26,648
Share-based payments	**118,001**	69,311
Shares issued for consulting fees	**17,285**	-
Impairment of related party receivable	**494,728**	-
Gain on sale of vehicles	**(11,780)**	-
Revaluation gain on discounted receivable	**-**	(5,255)
Gain on settlement of payables	**(91,028)**	(94,518)
Gain on forgiveness of payables	**-**	(13,892)
Impairment of unproven mineral right interests	**-**	13,200
Interest income	**(33,078)**	(79,715)
Foreign exchange	**(10,621)**	17,885
Changes in non-cash working capital items:		
Receivables	**50,427**	16,173
Prepaid expenses and deposits	**4,785**	(2,075)
Accounts payable and accrued liabilities	**122,104**	44,519
Net cash used in operating activities	**(113,180)**	(344,672)
Investing		
Addition to unproven mineral right interests	**(500,669)**	(557,562)
Payments received for sale of subsidiary	**193,500**	392,000
Change in value added taxes paid	**(26,252)**	(33,542)
Net cash used in investing activities	**(333,421)**	(199,104)
Financing		
Issuance of common shares for cash	**288,619**	-
Share issuance costs	**(9,093)**	-
Bank overdraft	**42**	-
Exercise of options, net of share issuance costs	**-**	65,604
Advances from related parties	**159,151**	93,601
Net cash provided by financing activities	**438,719**	159,205
Effect of exchange rate changes on cash	**-**	-
Net change in cash	**(7,882)**	(384,571)
Cash at beginning of year	**7,882**	392,453
Cash at end of year	**$ -**	$ 7,882

Non-cash investing and financing information:

	2019	2018
Related party advances applied to share issuances	$ 93,601	$ **-**
Payables settled in shares	$ 240,468	$ 200,366

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

(Expressed in United States dollars unless otherwise noted)

1. General Information and Going Concern

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

The principal subsidiaries of the Company as at December 31, 2019 are as follows:

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 26, 2020.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. For the year ended December 31, 2019, the Company incurred a net loss of $793,917. As at December 31, 2019, the Company has $35,042,143 in cumulative losses since inception and current liabilities exceed current assets by $1,248,803. The Company does not generate cash flows from operations and accordingly, the Company will need to raise additional funds through the issuance of securities, resource secured debt or joint venture projects. Although, the Company has been successful in raising funds in the past there can be no assurance that the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. The Company is subject to sovereign risk, including political and economic instability, changes in existing government regulations relating to mining, as well as currency fluctuations and local inflation. These factors are material uncertainties that may cast significant doubt regarding the Company’s ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statement of financial position.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effect on the Company’s business or ability to raise funds.

2. Statement of Compliance and Basis of Presentation

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") in effect as of December 31, 2019.

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.

Certain comparative figures have been reclassified to conform to the current year's presentation.

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. 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 accounting policy for financial instruments under IFRS 9:

(i) Classification

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

The Company classifies cash at FVTPL, investments at FVOCI and receivables and accounts payable at amortized cost.

(ii) Measurement

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

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of 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. Significant Accounting Policies (continued)

f. 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 by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Additional income taxes that arise from the distribution of dividends are

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, 2019, the Company has recognized a provision of $Nil (2018 -$Nil).

3. Significant Accounting Policies (continued)

i. Impairment

Impairment of non-financial assets

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

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

k. Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

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

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.

(Expressed in United States dollars unless otherwise noted)

3. Significant Accounting Policies (continued)

m. Leases

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

4. Receivable for Sale of a Subsidiary

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

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

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

Payment terms, established in August 2018, included 12 monthly payments of $20,000 starting in August 2018, three additional quarterly payments of $48,000, and a final payment of $88,922 on March 24, 2019. A new agreement was reached during March 2019 and a revised payment schedule extends into 2020. The balance outstanding at December 31, 2019 is $99,581.

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, 2019, the discount was amortized by $33,078 (2018 - $79,715) which was included in interest income.

Transactions for the years ended December 31, 2019 and 2018 are as follows:

		2019		2018
Opening Balance	$	260,003	$	572,454
Payments received		(193,500)		(392,000)
Revaluation gain		-		5,255
Interest		33,078		79,715
Foreign exchange adjustment		-		(5,421)
Closing Balance	$	99,581	$	260,003

(Expressed in United States dollars unless otherwise noted)

5. Investments

At December 31, 2019, the Company held 5,536,373 (December 31, 2018 - 5,536,373) shares of Candente Gold Corp. ("Candente Gold"), a company with common officers and directors. The closing share price was CDN$0.025 (December 31, 2018 - CDN$0.02) and the fair value of the Company's investment in Candente Gold was $106,567 (December 31, 2018 - $81,107). During the year ended December 31, 2019, the Company recognized an unrealized gain on investments of $20,863 (2018 – loss of $44,197) that was included in other comprehensive loss.

6. Unproven Mineral Right Interests

As of December 31, 2019, the Company's mineral properties consisted of the following:

Cañariaco Property, Lambayeque, Peru		Balance as at January 1, 2019		Mining property expenditures		Balance as at December 31, 2019
Mineral rights and surface rights	$	**1,904,301**	$	**98,659**	$	**2,002,960**
Community initiatives		**4,633,704**		**30,000**		**4,663,704**
Exploration and evaluation costs:						
Drilling		9,770,307		-		9,770,307
Environment, health and safety		1,319,205		24,000		1,343,205
General exploration		9,904,782		97,059		10,001,841
Engineering studies		-		25,000		25,000
Feasibility study		10,884,797		-		10,884,797
Project management and field support		22,898,480		154,590		23,053,070
Total exploration and evaluation costs		**54,777,571**		**300,649**		**55,078,220**
		61,315,576		**429,308**		**61,744,884**
Option and royalty payments received		**(505,921)**		**-**		**(505,921)**
	$	**60,809,655**	**$**	429,308	**$**	**61,238,963**
Cobriza Metals Peruvian properties						
Mineral rights and surface rights	**$**	**335,300**	**$**	**14,700**	**$**	**350,000**
Community initiatives		**40,000**		**-**		**40,000**
Exploration and evaluation costs:						
Drilling		357,090		-		357,090
Environment, health and safety		37,908		-		37,908
General exploration		706,826		-		706,826
Project management and field support		45,993		2,980		48,973
Cost recoveries		(50,143)		(8,100)		(58,243)
Total exploration and evaluation costs		**1,097,674**		**(5,120)**		**1,092,554**
		1,472,974		**9,580**		**1,482,554**
Option and royalty payments received		**(350,000)**		**-**		**(350,000)**
Impairment of unproven mineral rights interest		**(466,359)**		**-**		**(466,359)**
	$	**656,615**	**$**	**9,580**	**$**	**666,195**
Total mineral properties before value-added tax credit	**$**	**61,466,270**	**$**	**438,888**	**$**	**61,905,158**
Value-added tax credit **	**$**	**1,760,523**	**$**	**26,252**	**$**	**1,786,775**
Total mineral properties	**$**	**63,226,793**	**$**	**465,140**	**$**	**63,691,933**

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

(Expressed in United States dollars unless otherwise noted)

6. Unproven Mineral Right Interests (continued)

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

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

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

Cañariaco Property, Lambayeque, Peru	**Balance as at January 1, 2018**	**Mining property expenditures**	**Balance as at December 31, 2018**
Mineral rights and surface rights	**$ 1,782,746**	**$ 121,555**	**$ 1,904,301**
Community initiatives	**4,557,460**	**76,255**	**4,633,715**
Exploration and evaluation costs:			
Drilling	9,770,307	-	9,770,307
Environment, health and safety	1,314,537	4,668	1,319,205
General exploration	9,836,224	68,547	9,904,771
Feasibility study	10,884,797	-	10,884,797
Project management and field support	22,699,255	199,225	22,898,480
Total exploration and evaluation costs	**54,505,120**	**272,440**	**54,777,560**
	60,845,326	**470,250**	**61,315,576**
Royalty payments received	**(505,921)**	**-**	**(505,921)**
	$ 60,339,405	**$ 470,250**	**$ 60,809,655**
Cobriza Metals Peruvian properties			
Mineral rights and surface rights	**$ 314,600**	**$ 20,700**	**$ 335,300**
Community initiatives	**26,517**	**13,483**	**40,000**
Exploration and evaluation costs:			
Drilling	357,090	-	357,090
Environment, health and safety	37,908	-	37,908
General exploration	703,773	3,053	706,826
Project management and field support	42,038	3,955	45,993
Cost recoveries	(8,500)	(41,643)	(50,143)
Total exploration and evaluation costs	**1,132,309**	**(34,635)**	**1,097,674**
	1,473,426	**(452)**	**1,472,974**
Option payments received	**(350,000)**	**-**	**(350,000)**
Impairment of unproven mineral rights interest	**(453,159)**	**(13,200)**	**(466,359)**
	$ 670,267	**$ (13,652)**	**$ 656,615**
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**

(Expressed in United States dollars unless otherwise noted)

7. Equipment

	Equipment	Vehicles	Leaseholds	Total
Cost				
As at December 31, 2017	$ 608,829	$ 32,682	$ 8,120	$ 649,631
Disposals	(3,220)	-	-	(3,220)
As at December 31, 2018	605,609	32,682	8,120	646,411
Additions	353	-	-	353
Reallocation between accounts	(530)	530	-	-
Disposals	-	(4,071)	-	(4,071)
As at December 31, 2019	$ 605,432	$ 29,141	$ 8,120	$ 642,693
Accumulated depreciation				
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)
Disposals	-	891	-	891
Additions (Note 12)	(19,643)	(271)	-	(19,914)
As at December 31, 2019	$ (517,170)	$ (29,141)	$ (8,120)	$ (554,431)
Net book value				
As at December 31, 2018	$ 108,082	$ 2,921	$ -	$ 111,003
As at December 31, 2019	**$ 88,262**	**$ -**	**$ -**	**$ 88,262**

8. Trade Payables and Accrued Liabilities

	December 31, 2019	December 31, 2018
Trade payables	**$ 208,505**	$ 388,226
Due to related parties (Note 11)	**532,877**	357,347
Accrued liabilities	**616,018**	720,226
	$ 1,357,400	$ 1,465,799

During the year ended December 31, 2018, the Company entered into an agreement with Amec Foster Wheeler Peru S.A. ("AMEC") for the settlement of the trade liability for $839,954 included in the accounts payable of the Company's subsidiary, Canariaco.

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

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

As at December 31, 2019, the Company had paid $150,000 and issued 2,638,771 shares with a fair value of $90,136 resulting in a partial gain on settlement of $51,614. In January 2020, the Company made a further $100,000 payment and amended the agreement with AMEC whereby the remaining $275,000 is due by June 30, 2020.

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

In March 2019, the Company completed a private placement financing, issuing 9,550,000 units at CDN$0.05 per unit for gross proceeds of CDN$477,500. Each unit consisted of one common share and one half of one common share purchase warrant whereby each whole warrant entitles the holder to purchase an additional common share of the Company at a price of CDN$0.09 for a period of two years from the date of issuance. The residual value allocated to the warrants issued in the unit financing was $21,035. Finders' fees of $2,274 (CDN$3,000), 168,000 shares with a fair value of $6,335 (CDN$8,400) and 84,000 warrants with a fair value of $1,609 (CDN$2,134) were issued in connection with the private placement. The warrants were valued using the Black-Scholes pricing model with the following assumptions: risk free rate of 1.46%, volatility of 110.32%, expected life of 2 years and dividends of Nil %.

On February 25, 2019, the Company issued 2,638,771 common shares with a fair value of $90,136 (CDN$118,744) to settle debt of $141,750 in accordance with the debt settlement agreement to settle liabilities owed by the Company's subsidiary, Cañariaco (Note 8). A gain on settlement of payables of $51,614 was recorded in connection with the issue of the shares.

On February 25, 2019, the Company issued 1,837,692 common shares with a fair value of $62,772 (CDN$90,135) to Energold Drilling Peru S.A.C. to settle debt of $98,718 in accordance with a debt settlement agreement entered into on January 11, 2019 to settle trade liabilities owed by the Company's subsidiary, Cañariaco. A gain on settlement of payables of $35,946 was recorded in connection with the issue of shares.

During the year ended December 31, 2019, 175,000 shares were issued pursuant to the exercise of stock options for proceeds of $17,285.

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 $64,887 to the former CFO. The Company recorded a gain on settlement of payables of $21,352. Share issue costs of $4,759 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 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.

c. Stock options

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

(Expressed in United States dollars unless otherwise noted)

9. Share Capital (continued)

The changes in stock options during the years ended December 31, 2019 and 2018 were as follows:

	Number	**Exercise Price (CDN$)**
Balance, December 31, 2017	11,579,500	0.19
Issued	3,350,000	0.07
Exercised	(1,000,000)	0.09
Cancelled	(560,000)	0.21
Expired	(2,400,000)	0.30
Balance, December 31, 2018	10,969,500	0.13
Exercised	(175,000)	0.13
Issued	3,500,000	0.05
Expired	(2,119,500)	0.30
Cancelled	(1,585,000)	0.15
Balance, December 31, 2019	10,590,000	0.07

Share-based payments for the year ended December 31, 2019 were $118,001 (2018 – $69,311) relating to the vesting of options. The fair value of stock options granted was $123,067 (2018 - $125,466). Fair value at grant date of the stock options was measured based on the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility. The weighted-average assumptions used for the Black-Scholes option-pricing model of stock options granted during the year are as follows:

	December 31, 2019	December 31, 2018
Risk-free interest rate	1.46%	2.38%
Expected life of options	5 years	5 years
Annualized volatility	110.88%	107.39%
Dividend rate	Nil	Nil

Stock options outstanding at December 31, 2019 were as follows:

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

(Expressed in United States dollars unless otherwise noted)

9. Share Capital (continued)

d. Warrants

The changes in warrants during the years ended December 31, 2019 and 2018 were as follows:

	Number	Exercise Price (CDN$)
Balance December 31, 2017	16,188,911	0.15
Expired	(4,365,359)	0.15
Balance, December 31, 2018	11,823,552	0.15
Issued	4,859,000	0.09
Expired	(1,066,667)	0.15
Balance, December 31, 2019	15,615,885	0.14

During the year ended December 31, 2019, the Company extended the exercise period of a total of 5,349,222 share purchase warrants issued pursuant to the private placement completed on September 14, 2017. The original expiry date was September 14, 2019 and the new expiry date is September 14, 2021.

Warrants outstanding at December 31, 2019 were as follows:

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

e. Reserves

Equity settled employee compensation and warrants reserve:

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

Foreign currency reserve:

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

10. Commitments

Community engagement and initiatives

In July 8, 2012, the Company signed a land use agreement with the community of San Juan de Cañaris, by which the community authorized the Company to use the land for exploration purposes for three years. The Company had committed 1,500,000 soles ($550,000) to fund sustainable development programs subject to specific project approval by a committee formed by the parties. The Company did incur in excess of 1,500,000 soles on community initiatives since July 2012 (more than 6,000,000 soles since 2010) however the committee was not formed in time to approve all of

(Expressed in United States dollars unless otherwise noted)

10. Commitments (continued)

these expenditures. The Company also committed to issue 1,000,000 shares of the Company to the community upon the earlier of the commencement of the construction phase of the Cañariaco Copper Project or the transfer of at least 51% of the Cañariaco Copper Project to a third-party.

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, 2019		2018
Salaries and fees	**$**	**97,083**	$	84,528
Share-based payments		**81,471**		51,516
	$	**178,554**	$	136,044

The Company does not remunerate the directors of the Company unless its market capitalization is greater than $75 million. During the year ended December 31, 2019, the Company paid $Nil in directors' fees (2018 - $Nil).

Included in salaries and fees is $46,966 (2018 - $37,835) which was capitalized to unproven mineral right interests.

On August 20, 2018, the Company issued 710,986 common shares 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 $21,352.

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

During the year ended December 31, 2018, two directors and an officer advanced amounts totaling $93,601 to the Company. During the year ended December 31, 2019, a director advanced an additional $120,000 to the Company for a total amount owing at December 31, 2019 of $141,436 and an officer advanced $37,727 to the Company. The advances are unsecured, non-interest bearing and are due on demand. Advances are included in trade payables and accrued liabilities (Note 8).

Amounts due to and from related parties are unsecured, non-interest bearing and due on demand. Trade payables and accrued liabilities at December 31, 2019, included $532,877 due to related parties, consisting of officers and directors and companies controlled by them, (December 31, 2018 – $357,347) (Note 8). Receivables at December 31, 2019, included $1 (December 31, 2018 - $549,935) due from Candente Gold Corp., a company with common officers and directors. During the year ended December 31, 2019, the Company recorded an impairment of $494,728 on the amount receivable from Candente Gold Corp due to collection uncertainty. The Company will continue to attempt to collect the receivable.

(Expressed in United States dollars unless otherwise noted)

12. General and Administrative Expenses

	Years ended December 31, 2019	2018
GENERAL AND ADMINISTRATIVE		
Amortization (Note 7)	**$ 19,914**	$ 26,648
Accounting, audit and tax advisory fees	**44,673**	56,346
Bank charges and interest	**2,115**	2,635
Legal	**28,364**	34,009
Management fees, office salaries and benefits (Note 11)	**153,553**	148,012
Office, rent and miscellaneous	**48,061**	51,634
Travel and accommodations	**708**	2,334
Regulatory and filing fees	**20,957**	32,669
Share-based payments (Note 9)	**118,001**	69,311
Shareholder communications	**28,986**	44,875
Total general and administrative expenses	**$ 465,332**	$ 468,473

13. Segmented Information

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

14. Financial Risk and Capital Management

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

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

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

14. Financial Risk and Capital Management (continued)

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.

The Company has a receivable of $99,581 associated with the sale of Minera Candente. Management considers that this receivable is recoverable, and that credit risk associated with this receivable is moderate.

At December 31, 2019, the Company's maximum exposure to credit risk is the carrying value of its cash and receivables.

Capital management
The Company's capital structure is comprised of the components of equity. The Company's objectives when managing its capital structure is to, maintain financial flexibility to preserve the Company's access to capital markets and its ability to meet its financial obligations.

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

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

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

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

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

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

Cash and investments fall under Level 1.

There were no transfers between levels during the year.

(Expressed in United States dollars unless otherwise noted)

15. 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, 2019		December 31, 2018
Applicable income tax rate		**27%**		27%
Loss for the year before income taxes	**$**	**793,917**	$	336,953
Expected income tax recovery at the applicable tax rate		**214,357**		90,977
Share based payment and other permanent differences		**-**		15,725
Non-deductible accounting (loss) and non-taxable accounting gain		**(84,936)**		(38,617)
Foreign exchange on foreign operations		**(271,749)**		(2,211,395)
Difference in tax rate in foreign operations		**9,088**		(55,607)
True up of tax provision from prior year		**(2,965,037)**		600,224
Tax effect of tax losses and temporary differences not recognized and other		**2,554,779**		1,425,426
Change in tax rate		**-**		173,267
Income tax expense	**$**	**-**	$	-

The Canadian combined federal corporate tax rate and British Columbia provincial tax rate is 27% for 2019 and 2018. Peruvian income tax rates are 29.5% for 2018 and 2019.

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

		For the year ended December 31, 2019		December 31, 2018
Deferred tax asset: non-capital losses net of valuation allowance	**$**	**7,171,324**		3,794,743
Deferred tax liability: mineral properties		**(7,171,324)**		(3,794,743)
Net deferred tax	**$**	**-**	$	-

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

		For the year ended December 31, 2019		December 31, 2018
Non-capital losses	**$**	**28,598,448**	$	27,639,035
Capital losses		**4,047,946**		-
Share issue costs		**41,389**		49,129
Equipment		**-**		54,054
Unrealized loss on investments		**1,802,527**		1,827,987
Unrecognized deductible temporary differences	**$**	**34,490,310**	$	29,570,205

At December 31, 2019, the Company has non-capital operating losses of approximately $13.9 million (2018 - $13.1 million) and had resource-related amounts available, subject to certain restrictions, for deduction against future taxable income in Canada. The operating losses expire from 2026 through to 2039.

15. Income Taxes (continued)

The Company also had net operating loss carry-forwards for tax purposes of approximately $14.6 million (2018 - $14.5 million) and resource related amounts totaling approximately $34.5 million (2018- $33.9 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.

16. Subsequent Events

In January 2020, the Company closed a private placement financing, issuing 21,000,000 common shares at $0.05 per share for gross cash proceeds of CAD $1,050,000.

On January 27, 2020, the Company granted 7,000,000 stock options to directors. The stock options are exercisable at $0.05 per share for a period of 5 years.