



# CANDENTE COPPER CORP.



## ANNUAL INFORMATION FORM

**For the fiscal year ended December 31, 2020 (unless otherwise noted)**

**Dated March 31, 2021**

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## PRELIMINARY NOTES

In this Annual Information Form (the “AIF”), unless the context otherwise requires, the terms the “Company” and “Candente Copper” refer to Candente Copper Corp.

### DOCUMENTS INCORPORATED BY REFERENCE

Incorporated by reference into this AIF are the following documents:

- (a) Audited consolidated financial statements of the company for the year ended December 31, 2020; and
- (b) management discussion and analysis of the company for the year ended December 31, 2020.

Copies of which can be obtained online from Sedar at [www.sedar.com](http://www.sedar.com).

All financial information in this AIF is prepared in accordance with international financial reporting standards (“IFRS”) unless otherwise indicated.

### DATE OF INFORMATION

All information in this AIF is as of December 31, 2020, unless otherwise indicated.

### FORWARD-LOOKING INFORMATION

This AIF contains statements which are forward-looking information (“**forward-looking information**”) within the meaning of applicable Canadian securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact, are forward-looking information. Information concerning mineral resource estimates also may be deemed to be forward-looking information in that it reflects a prediction of the mineralization that would be encountered if a mineral deposit were developed and mined. Forward-looking information is typically identified by words such as: “believe”, “expect”, “anticipate”, “intend”, “estimate”, “postulate”, “plans” and similar expressions, or which by their nature refer to future events. Forward-looking information includes, but is not limited to, statements concerning:

- The Company’s strategies and objectives, both generally and specifically in respect of the Cañariaco Copper Project (as defines below) and the Company’s other unproven mineral rights interests;
- The potential for the expansion of the estimated resources at the Cañariaco Copper Project;
- The potential for a production decision concerning, and any production at, the Cañariaco Copper Project;
- The Company’s estimated future exploration expenditures and other expenses for specific operations;
- The Company’s estimates of the quality and quantity of the resources at its unproven mineral rights interests;
- Government Regulation of Mining operations in Peru;
- The timing and cost of the planned future exploration programs at the Cañariaco Copper Project, and the timing of the receipt of results therefrom;
- The Company’s future cash requirements;
- General business and economic conditions;
- Currency fluctuations;

- Litigations risks; and
- The Company's ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations.

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward-looking information are risks and uncertainties beyond the Company's ability to predict or control. Actual achievements of the Company or other events or conditions may differ naturally from those reflected in the forward-looking information due to a variety of risks, uncertainties and other factors, including, but not limited to, risks related to: the Company's inability to identify one or more economic deposits on its properties; variations in the nature, quality and quantity of any mineral deposits that may be located; variations in the market price of any mineral products the Company may produce or plan to produce; the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies; and other risks identified herein under "Risk Factors".

Should one or more of the aforementioned risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. This list is not exhaustive of the factors that may affect any of the Company's forward-looking information. The Company's forward-looking information is based on the reasonable beliefs, expectations and opinions of management on the date the statements are made.

The Company cautions investors that any forward-looking information by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward-looking statements contained in this AIF. Forward-looking statements are also based on a number of factors and assumptions which may prove incorrect, including, but not limited to:

- There being no significant disruptions affecting operations, whether due to labour disruptions, power disruptions, damage to equipment or otherwise;
- The level and volatility of the price of copper, gold, silver and sulphuric acid,
- General business and economic conditions;
- The political climate in Peru being stable and supportive of mineral industry investment and development;
- The timing of the receipt of regulatory and governmental approvals, permits and authorizations necessary to implement and carry on the Company's planned exploration and potential development program at the Cañariaco Copper Project;
- Conditions in the financial markets generally;
- The Company's ability to secure the necessary consulting, drilling and related services and supplies on favourable terms in connection with its ongoing exploration program at the Cañariaco Copper Project;
- The Company's ability to attract and retain key staff;
- The accuracy of the Company's resource estimates (including with respect to size and grade) and the geological, operational and metal price assumptions on which these are based;
- The timing of the Company's ability to commence and complete the planned work at the Cañariaco Copper Project;
- The anticipated terms of the consents, permits and authorizations necessary to carry out the planned exploration programs at the Cañariaco Copper Project and the Company's ability to comply with such terms on a safe and cost effective basis;

- The ongoing relations of the Company with the applicable regulatory agencies; and
- The metallurgy and recovery characteristics of samples from certain of the Company’s unproven mineral right interests and reflective of the deposit as a whole.

This forward-looking information is made as of the date hereof and the Company will update this forward-looking information as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking information.

Readers are encouraged to consult the Company’s public filings for additional information concerning these matters: [www.sedar.com](http://www.sedar.com).

## CURRENCY AND EXCHANGE

All dollar amounts in this AIF are expressed in Canadian dollars unless otherwise indicated. The Company’s financial statements are expressed in United States dollars and are prepared in accordance with IFRS. All references to “CDN” or “\$” are to the Canadian dollar and all references to “USD” or “US\$” are to the United States dollar.

The following table sets forth the rate of exchange for the Canadian dollar, expressed in United States dollars in effect at: (a) the end of the periods indicated and (b) the average of exchange rates in effect on the last day of each month during such periods, based on the noon rate of exchange as reported by the Bank of Canada for conversion of Canadian dollars into United States dollars.

CDN to USD	Year-Ended December 31, 2020		
	2020	2019	2018
Rate at end of period	USD 0.7854	USD 0.7699	USD 0.7330
Average rate for period	USD 0.7454	USD 0.7536	USD 0.7717

On March 30, 2021, the average exchange rate as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was CDN 1.00 equals USD 1.2631.

## METRIC EQUIVALENTS

For ease of reference, the following factors for converting imperial measurements into metric equivalents are provided:

To convert from imperial	To metric	Multiply by
Acres	Hectares	0.404686
Feet	Metres	0.30480
Miles	Kilometres	1.609344
Tons	Tonnes	0.907185
Ounces (troy)/ton	Grams/Tonne	31.1035

## 3. CORPORATE STRUCTURE

### NAME, ADDRESS AND INCORPORATION

The Company was incorporated under the laws of British Columbia on May 1, 1997, under the name “542074 B.C. Ltd.” The name of the Company was changed to “Candente Resource Corp.” on June 5, 1997, and to “Candente Copper Corp.” on December 31, 2009. On September 27, 2002, the Company continued into the federal jurisdiction

of Canada under the *Canada Business Corporations Act* (Canada). On April 19, 2007, the Company continued to British Columbia under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) and is now recognized as a company under the BCBCA.

The authorized share capital of the Company consists of an unlimited number of common shares without par value. All shares of the Company rank equally as to voting, and there are no special preference, conversion or redemption rights attached to any of the shares of the Company. All of the issued common shares are fully paid and non-assessable.

The Company’s common shares (“**Common Shares**”) trade on the Toronto Stock Exchange (“**TSX**”) and the Bolsa de Valores de Lima (Lima Stock Exchange) (“**BVL**”) under the symbol “DNT”.

The Company is currently a reporting issuer in British Columbia, Alberta, and Ontario.

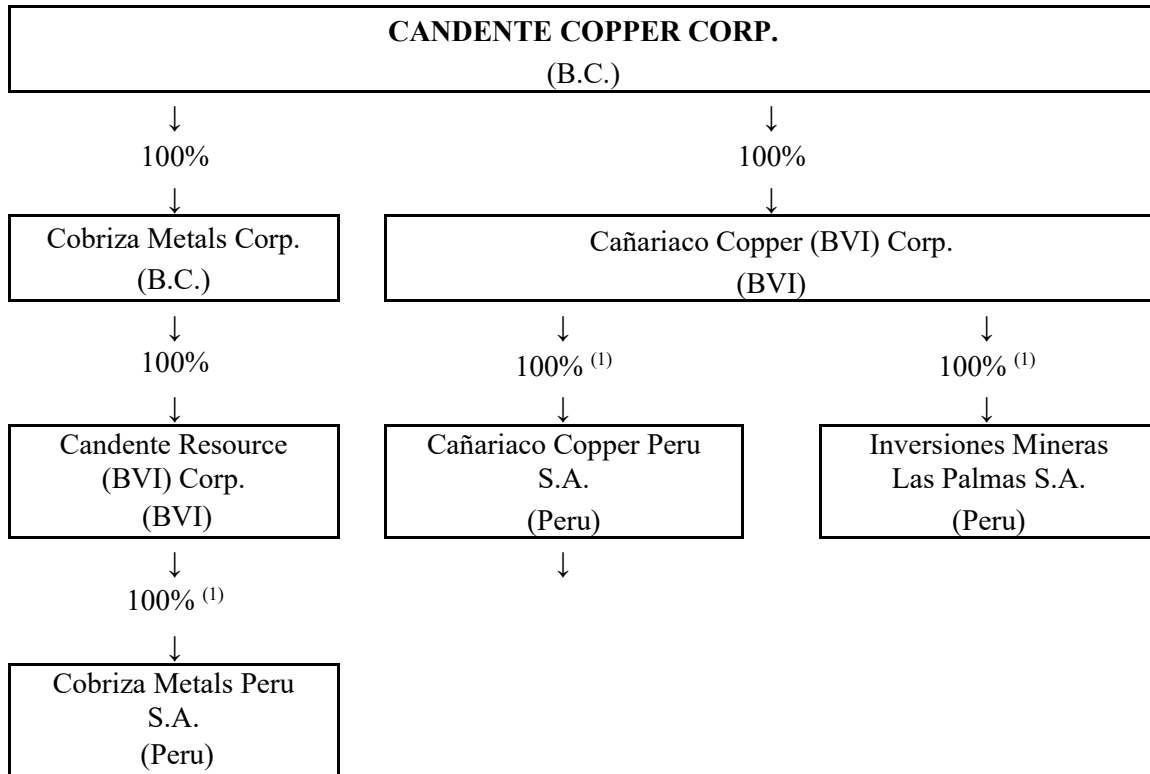
The Company’s CUSIP and ISIN numbers are 13739Y304 and CA13739Y3041, respectively.

The Company’s head office and registered and records office is located at Suite 801, 1112 West Pender Street, Vancouver, British Columbia, Canada, V6E 2S1. The Company’s contact person is Joanne Freeze, President, CEO, Director and Corporate Secretary. The Company maintains a website at [www.candentecopper.com](http://www.candentecopper.com).

## **INTERCORPORATE RELATIONSHIPS**

The Company has the following subsidiaries: Cobriza Metals Corp. (“**Cobriza Metals**”), incorporated under the laws of British Columbia, Canada; Cañariaco Copper (BVI) Corp. (“**Cañariaco BVI**”), Candente Resource (BVI) Corp. (“**Candente BVI**”), both incorporated under the laws of the British Virgin Islands; Cañariaco Copper Peru S.A. (formerly Exploraciones Milenio S.A.) (“**Cañariaco Peru**”), Inversiones Mineras Las Palmas S.A. (“**Las Palmas**”), Cobriza Metals Peru S.A. (“**Cobriza Peru**”) the latter three subsidiaries incorporated under the laws of Peru.

**CORPORATE  
ORGANIZATION  
CHART**



Note:

(1) Single share held by Joanne C. Freeze as required under Peruvian law.

Throughout this AIF, references made to the “**Company**” refer to Candente Copper and, where the context requires, its consolidated subsidiaries, Cañariaco BVI, Cañariaco Peru, Las Palmas, Cobrizo Metals, Candente BVI and Cobrizo Peru.

**4. GENERAL DEVELOPMENT OF THE BUSINESS**

**GENERAL**

**THREE YEAR HISTORY – 2018 TO 2020**

Candente Copper is a mineral exploration company engaged in the acquisition, exploration and development of mineral properties. The Company currently holds title to three copper-gold projects in Peru which it has explored and developed to various stages since 2004.

See “Mineral Projects” page 18 for further information on the Company’s assets.

While 2018 was a quiet year with subdued equity markets and copper prices, 2019 brought renewed interest from third parties seeking to enter business relationships such as Joint Ventures; Royalty Financings and other types of corporate transactions.

On January 21, 2020, Fortescue Metals Group Ltd. (through Nascent, a Peruvian subsidiary, collectively “Fortescue”) made a strategic investment of Cdn\$1,050,000 by purchasing 21,000,000 common shares at a price of \$0.05 in a non-



brokered Private Placement. This investment gave them 9.72% interest in the Company and certain rights. Details of such are given below.

On May 22, 2020 Fortescue increased their investment to hold 19.9% of the Company by subscribing for an additional 27,500,000 shares for gross proceeds of Cdn\$1,375,000. Fortescue's cumulative investment was Cdn\$2,425,000 for 48,500,000 shares.

Fortescue is one of the largest global iron ore producers, recognised for its culture, innovation and industry-leading development of world class infrastructure and mining assets in Western Australia. Fortescue's recent Australian exploration activity has focussed on early-stage target generation for copper-gold in addition to its extensive iron ore deposits in Western Australia, while it simultaneously builds on its world-class exploration expertise, operational reputation and capability through exploration in highly prospective areas such as South America, including Peru, to deliver shareholder value.

Fortescue is now considered a strategic investor to the Company, in addition to the investments and the special rights granted, Fortescue has, at its cost, allocated two engineers to work on a part time joint technical committee with Candente Copper nominees, with a goal to identify the optimum strategy for the development of the Cañariaco project.

### **Details on Rights Granted to Fortescue**

In connection with the Private Placements, and provided that Fortescue beneficially owns or has the right to acquire not less than 5.0% of the issued and outstanding Common Shares of Candente Copper (on a diluted basis), Fortescue was granted the following:

- (a) the right to appoint one person as a director of Candente Copper;
- (b) the right to participate, on a pro rata basis, in any future equity financing of equity securities undertaken by Candente Copper to the extent required to allow Fortescue to maintain the same equity ownership interest (on a diluted basis) in Candente Copper that it possessed immediately prior to closing of the equity financing such that Fortescue does not suffer any equity dilution; and
- (c) if within two (2) years from the Closing Date of the Private Placement, Candente Copper receives a bona fide offer (a "Non-Equity Financing Offer") from a third party to provide Candente Copper with any non-equity financing proposal including, but not limited to, debt financing or a royalty or stream for the purpose of funding the future exploration or development of any of Candente Copper's assets (but for greater certainty does not include an earn-in joint venture proposal) and Candente Copper wishes to accept such Non-Equity Financing Offer, then Fortescue shall have the option to provide such Non-Equity Financing.

### **Significant Acquisitions**

There were no significant acquisitions made by the Company in 2020.

## **5. DESCRIPTION OF THE BUSINESS**

### **GENERAL**

The Company is a mineral exploration company engaged in the acquisition, exploration and development of mineral properties. The Company is currently focused on the copper sector in Peru and it considers its Cañariaco Copper Property in Peru to be its material mineral property at this time. Information with respect to the Company's material mineral property is set out in the "Mineral Projects" section of this AIF.

### **SPECIALIZED SKILL AND KNOWLEDGE**

All aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include the areas of exploration, geology, drilling, logistical planning, geophysics, engineering, metallurgy and mineral processing, implementation of exploration programs and accounting.

Management is composed of a team of individuals who have extensive expertise in the mining industry including mineral exploration, mine design, operation and evaluation, and exploration finance. See the "Directors and Officers" section of this AIF.

### **COMPETITIVE CONDITIONS**

Competition in the mineral exploration industry is intense. The Company will compete with other mining companies, many of which have greater financial resources and technical facilities for the acquisition and development of mineral concessions, claims, leases and other interests, as well as for the recruitment and retention of qualified employees and consultants.

All of the raw materials the Company requires to carry on its business are readily available through normal supply or business contracting channels in Canada, Peru and the United States. The Company has secured, or reasonably believes that it will be able to secure, personnel to conduct its contemplated programs.

### **BUSINESS CYCLES**

The mining business is subject to mineral price and investment climate cycles. The marketability of minerals and mineral concentrates is also affected by worldwide economic and demand cycles. In recent years, the significant demand for minerals in some countries (notably China and India) has driven increased commodity prices, although commodity prices have generally decreased over the past year. It is difficult to assess if the current commodity price trends are long-term trends, and there is uncertainty as to the recovery, or otherwise, of the world, and particularly the Chinese economy. If the global economic conditions weaken and commodity prices decline as a consequence, a continuing period of lower prices could significantly affect the economic potential of the Company's Cañariaco Copper Project and result in the Company deciding to postpone work on its Cañariaco Copper Project.

### **ECONOMIC DEPENDENCE**

The Company's business is not substantially dependent on any contract such as a contract to sell the major part of its products or services or to purchase the major part of its requirements for goods, services or raw materials, or on any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which its business depends.

### **EMPLOYEES**

As of December 31, 2020, the Company had one full-time employee and three key consultants in Canada and, in Peru, nine (9) full-time employees and five (5) part-time consultants. Operations of the Company are managed by its directors and officers. The Company relies to a large degree upon reputable consulting firms and contractors to carry on many of its activities and, in particular, to supervise and carry out the work programs on its mineral properties. Should the Company expand its activities however, it is likely that it will choose to hire additional employees.

## **BANKRUPTCY AND SIMILAR PROCEDURES**

There is no bankruptcy, receivership or similar proceedings against the Company, nor is the Company aware of any such pending or threatened proceedings. There have not been any voluntary bankruptcy, receivership or similar proceedings by the Company within the three most recently completed financial years or completed or currently proposed for the current financial year.

## **RE-ORGANIZATIONS**

There have been no re-organizations of or involving the Company within the three most recently completed financial years, nor completed or currently proposed for the current financial year.

## **SOCIAL AND ENVIRONMENTAL POLICIES**

The Company conducts exploration and development activities in Peru and is committed to creating Shared Value by protecting the environment and developing sustainable economic and social benefits for the local communities and many Peruvians at all stages of our work. *"Shared value is created when a company's success, social progress (by addressing needs and challenges) and local environmental conditions are interdependent."* (Michael Porter and Mark R. Kramer "Harvard Business Review", January 2011).

In addition, the Company is committed to prevent and eliminate work risks and provide environmental protection and social responsibility in all our actions and is committed to:

### **Regarding health and safety of our employees and contractors:**

- Take steps to eliminate and/or control occupational hazards, implementing the respective improvement measures, taking into account such necessary aspects to ensure health and safety at work.
- Train and sensitize all employees, making them part of our policy to safety in all their activities, giving priority to communication and information, so that the responsibility for security management lies with all members of the organization.
- Ensure compliance with national and international legislation and norms of health and safety applicable to our activities, as well as other requirements that the Companies voluntarily subscribe to.
- Commit to each employee and our business partners on the implementation of all activities safely.

### **Regarding environmental responsibility:**

- Implement programs to prevent environmental pollution and minimize environmental impact when carrying out our activities, ensuring the protection of the environment.
- Comply with applicable national and international regulations related to environmental as well as other commitments that the Companies voluntarily subscribe to.
- Demonstrate effective environmental management by defining, reviewing and updating, systematically and regularly, the fulfillment of the commitments made in the process of continuous improvement of our environment management system.

### Regarding social responsibility:

- To act pursuant to the Universal Human Rights Declaration.
- To work as an organization who respects the community and its customs and traditions. Provide clear/transparent communication through the development of participatory programs ensuring to attend to the community concerns.
- To promote dialogue to achieve resolution and consensus and as a mechanism for conflict prevention.
- To adopt applicable international protocols on the management of relations with native communities.
- To use preferably the service of the local workers and suppliers.

In addition, all phases of the Company's operations are subject to social and environmental regulation in the jurisdictions in which it operates. Social and environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in social and environmental regulation, if any, will not adversely affect the Company's operations. There is no assurance that social, regulatory and environmental approvals will be obtained on a timely basis, or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Social and environmental hazards may exist on the properties which are unknown to the Company at present which may have been caused by previous or existing owners or operators of the properties. The Company is currently engaged in site activities with minimal social and environmental impact.

### RISK FACTORS

In addition to those risk factors discussed elsewhere in this AIF, the Company is subject to the following risk factors:

*Resource Exploration and Development is Generally a Speculative Business:* Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting both from the failure to discover mineral deposits and from finding mineral deposits which, though present, are insufficient in size and grade at the then prevailing market conditions to return a profit from production. The marketability of natural resources which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

**At this point, there are known mineral resources but no known mineral reserves at the Cañariaco Norte Project.** Substantial expenditures are required to establish ore reserves through drilling, metallurgical, and other testing techniques, determine metal content and metallurgical recovery processes to extract metal from the ore, and construct, renovate, or expand mining and processing facilities. No assurance can be given that any level of recovery of ore reserves will be realized or that any identified mineral deposit, even if it is established to contain an estimated resource, will ever qualify as a commercial mineable ore body, which can be legally and economically exploited. **Mineral resources are not mineral reserves and there is no assurance that any mineral resources will ultimately be reclassified as proven or probable reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability.**

*Fluctuation of Commodity Prices:* Even if commercial quantities of mineral deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the minerals once produced. The Company's long-term viability and profitability depend, in large part, upon the market price of minerals which have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, changes in rates of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities, and increased production due to improved mining and production methods. The recent price fluctuations in the price of all commodities for which the Company is presently exploring is an example of a situation over which the Company has no control and may materially adversely affect the Company in a manner that it may not be able to compensate for. The supply of and demand for minerals are affected by various factors, including political events, economic conditions, and production costs in major producing regions. There can be no assurance that the price of any minerals produced from the Company's properties will be such that any such deposits can be mined at a profit.

*Recent market events and conditions:* Global economic conditions for the minerals industry deteriorated significantly starting in mid-2012 and this depressed environment continues to the present. Although overall economic conditions have improved in certain regions, economic weakness continues in other regions, and this continues to have a negative effect on demand and pricing for most mineral commodities. In turn, this weakness has had a significantly negative effect on mining finance and mining development. In 2017, equity finance for mining companies and especially for small capitalization mining companies continues to remain difficult to secure. Furthermore, mid-sized and large-sized mining companies have severely curtailed funding for exploration and project development. The net result is that most smaller capitalization companies including the Company have had to curtail activities and expenditures due to a lack of access to capital. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to it or at all.

*COVID-19:* 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, 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.

*General Economic Conditions:* Many industries, including the mining industry, are impacted by variance in market conditions. Some of the key impacts of financial market uncertainty include contraction in credit markets with resulting widening of credit risk, devaluations, and high volatility in global equity, commodity, foreign exchange and precious metal markets, as well as a lack of market liquidity. A continuation of negative financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability. Specifically:

- the global credit/liquidity crisis could impact the cost and availability of financing and the Company's overall liquidity
- the volatility of copper, gold and other base metal prices may impact the Company's future revenues, profits, and cash flow
- volatile energy prices, commodity and consumables prices, and currency exchange rates may impact potential production costs
- the devaluation and volatility of global stock markets impact the valuation of the common shares, which may impact the Company's ability to raise funds through the issuance of common shares

These factors could have a material adverse effect on the Company's financial condition and results of operations.

*Share Price Volatility:* between 2013 and 2020, base metals equity markets experienced a continued high level of price and volume volatility, and the market prices of securities of many companies, particularly those considered

exploration or development stage companies, have experienced unprecedented fluctuations in price. Share prices of many small capitalization (junior) natural resource companies experienced downward pressure and significant declines in share liquidity for junior natural resource companies. For many companies, declines in share price have not necessarily been related to operating performance, underlying asset values or prospects of such companies. In addition, significantly higher redemptions by holders of mutual and institutional funds caused many such funds (possibly including those holding the Company's shares) to sell such shares at reduced prices. **As a consequence, despite the Company's past success in securing significant equity financing, market forces could render it difficult or impossible for the Company to issue new shares at a price which will not lead to severe dilution to existing shareholders, or at all.** Therefore, there can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact the Company's ability to raise equity funding without significant dilution to existing shareholders, or at all.

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

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

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

*Permits and Licenses:* Operations of the Company require licenses and permits from governmental authorities in Peru. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Delays or a failure to obtain such licenses and permits or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could have a material adverse effect on the Company. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in resource exploration may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violation of applicable laws or regulations. Large increases in capital expenditures resulting from any of the above factors could force the Company to cease operations.

*Surface Rights and Access:* Although the Company acquires the rights to some or all of the minerals in the ground subject to the mineral tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface of the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights through the courts can be costly and time consuming. It is necessary to negotiate surface access or to purchase the surface rights if long-term access is required. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate satisfactory agreements with any such existing landowners/occupiers for such access or purchase of such surface rights, and therefore it may be unable to carry out planned mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in the applicable jurisdiction, the outcomes of which cannot be predicted with any certainty.

The inability of the Company to secure surface access or purchase required surface rights could materially and adversely affect the timing, cost or overall ability of the Company to develop any mineral deposits it may locate. This is a particular problem in many areas of Peru, where blockades of access to mining properties, hostile actions by local communities and the potential unwillingness of local police or governmental officials to assist a foreign company against its own citizens can result in the Company being unable to carry out any exploration activities despite being legally authorized to do so and having complied with all applicable local laws and requirements.

*No Assurance of Profitability:* The Company has no history of production or earnings and due to the nature of its business there can be no assurance that the Company will be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. All of the Company's properties are in the exploration and/or economic evaluation stage and the Company has not defined or delineated any proven or probable reserves on any of its properties. None of the Company's properties are currently in a construction or commercial operation stage. Continued exploration and development of its existing properties and the future development of any properties found to be economically feasible will require significant funds. The only present source of funds available to the Company is through the sale of its equity securities, the sale or optioning of a portion of its interest in its mineral properties, or by incurring debt. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its properties, there is no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

*Uninsured or Uninsurable Risks:* Exploration, development, and mining operations involve various hazards, including environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins or slides, flooding, fires, metal losses and periodic interruptions due to inclement or hazardous weather conditions. These risks could result in damage to or destruction of mineral properties, facilities or other property, personal injury, environmental damage, delays in operations, increased cost of operations, monetary losses and possible legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums, or at all. The Company may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

*Government Regulation:* Any exploration, development or mining operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. The Company cannot predict whether or not such legislation, policies or controls, as presently in effect, will remain so, and any changes therein (for example, significant new royalties or taxes), which are completely outside the control of the Company, may materially adversely affect to ability of the Company to continue its planned business within any such jurisdictions.

*Political Risk in Peru:* The Company has mineral properties located in Peru. The Government of Peru is currently supportive of mining exploration and development in the country, nevertheless mineral exploration and mining activities in Peru may be affected to varying degrees by political or economic instability, expropriation of property and changes in government regulations such as tax laws, business laws, environmental laws, and mining laws. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may materially adversely affect its business, or if significant enough, may make it impossible to continue to operate in Peru. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, foreign exchange restrictions, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

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

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

- Regular communication with various members of the local community regarding their concerns and needs as well as the Company's activities and objectives.
- Sustainable Development projects and alliances with International Non-Governmental Organizations that are committed to improving the lives of families in under-developed regions.

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

*Dependence Upon Others and Key Personnel:* The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability of the Company to enter into strategic alliances through a combination of one or more joint ventures, mergers or acquisition transactions; and (ii) the ability to attract and retain additional key personnel in exploration, mine development, sales, marketing, technical support and finance. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company. There can be no assurance of success with any or all of these factors on which the Company's operations will depend. The Company has relied and may continue to rely, upon consultants and others for operating expertise.

*Exploration and Mining Risks:* Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of copper and other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Short term factors, such as the need for orderly development of ore bodies or the processing of new or different grades, may have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in geological resources, grades, stripping ratios or recovery rates may affect the economic viability of projects.

*Currency Fluctuations:* The Company's reporting currency is the United States dollars. Due to the nature of its operations in Canada and Peru, the Company maintains cash accounts in Canadian dollars, U.S. dollars and Peruvian Nuevos Soles. The Company's operations in Peru and its proposed payment commitments and exploration expenditures under many of the agreements pursuant to which it holds, or has a right to acquire, an interest in its mineral properties are denominated in U.S. dollars, making it subject to foreign currency fluctuations. Such fluctuations are out of its control and may materially adversely affect the Company's financial position and results. The Company does not currently engage in any hedging programs with respect to currencies.

*Environmental Restrictions:* The activities of the Company are subject to environmental regulations promulgated by government agencies in Peru from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

*Regulatory Requirements:* The activities of the Company are subject to extensive regulations governing various matters, including environmental protection, management and use of toxic substances and explosives, management of



natural resources, exploration, development of mines, production and post-closure reclamation, exports, price controls, taxation, regulations concerning business dealings with indigenous peoples, labour standards on occupational health and safety, including mine safety, and historic and cultural preservation. Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties, enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions, any of which could result in the Company incurring significant expenditures. The Company may also be required to compensate those suffering loss or damage by reason of a breach of such laws, regulations or permitting requirements. It is also possible that future laws and regulations, or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspension of the Company's operations and delays in the exploration and development of the Company's properties.

*Limited Experience with Development-Stage Mining Operations:* The Company has limited experience in placing resource properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or by entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if it places its resource properties into production.

*Estimates of Mineral Resources and Production Risks:* The mineral resource estimates presented in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by Company personnel and independent geologists and engineers, and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The estimation of mineral resources and mineral reserves is a subjective process and the accuracy of any given mineral resource and mineral reserve estimate is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting available engineering and geological information. There is significant uncertainty in any mineral resource or mineral reserve estimate and the actual deposits encountered and the economic viability of a deposit may differ materially from the Company's estimates. Accordingly, there can be no assurance that:

- these estimates will be accurate;
- reserves, resource or other mineralization figures will be accurate; or
- this mineralization could be mined or processed profitably.

Because the Company has not commenced production at any of its properties and has not defined or delineated any proven or probable reserves on any of its properties, mineralization estimates for the Company's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Short term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have a material adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in reserves or resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The estimated resources described in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time should not be interpreted as assurances of mine life or of the profitability of future operations. Estimated mineral resources and mineral reserves may have to be re-estimated based on changes in applicable commodity prices, further exploration or development activity or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence mineral resource or mineral reserve estimates. Market price fluctuations for copper, gold and silver, increased production costs or reduced recovery rates or other factors may render any particular reserves uneconomical or unprofitable to develop at a particular site or sites. A reduction in estimated reserves could require material write downs in investment in the affected mining property and increased amortization, reclamation and closure charges.

*Enforcement of Civil Liabilities:* As most of the assets of the Company are located outside of Canada, and certain of the directors and officers of the Company are resident outside of Canada, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Company or the directors or officers of the Company resident outside of Canada.

*Mining Industry is Intensely Competitive:* The Company's business of the acquisition, exploration and development of mineral properties is intensely competitive. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. The Company may also encounter increasing competition from other mining companies in efforts to hire experienced mining professionals. Competition for exploration resources at all levels is currently very intense, particularly affecting the availability of manpower, drill rigs and helicopters. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

## **ASSET-BACKED SECURITIES**

The Company has never distributed or held any asset-backed securities.

## **MINERAL PROJECTS WITH RESOURCES**

### **CAÑARIACO COPPER PROJECT**

The Cañariaco Copper Project is an advanced stage porphyry copper exploration and development project located in Northern Peru.

The following is the summary from the January 2011 Pre-feasibility Study Progress Report prepared by AMEC Americas Limited ("AMEC") and filed by the Company on SEDAR on March 4, 2011, which has been updated with information contained in the November 24, 2011, Candente Copper News Release 031 - Cañariaco Norte Copper Project Update. Sections 4.0, 5.0, 6.0, 7.0, 9.0, 10.0, 11.0, 12.0, 13.0, 14.0, 17.0, 19.0, 20.0 and 21.0 of the January 2011 Pre-feasibility Study Progress Report and the subsections contained therein, are specifically incorporated by reference herein.

#### **1.0 SUMMARY**

AMEC was commissioned by the Company to prepare an independent Qualified Person's Review and NI 43-101 Technical Report (the Report) on the Pre-Feasibility Study Progress Report which includes a preliminary economic assessment ("PEA") update for the Cañariaco Copper Project.

#### **1.1 PRINCIPAL OUTCOMES**

- AFTER-TAX NPV OF \$1,063.4 MILLION FOR BASE CASE WITH \$2.25 PER POUND COPPER, \$1,015 PER OUNCE GOLD, \$15.85 PER OUNCE SILVER, AND 8% DISCOUNT RATE
- AFTER-TAX IRR OF 18.8% FOR BASE CASE WITH \$2.25 PER POUND COPPER, \$1,015 PER OUNCE GOLD, AND \$15.85 PER OUNCE SILVER
- PAYBACK OF PREPRODUCTION CAPITAL IN 2.9 YEARS (ON A PRE-TAX BASIS) AND 4.1 YEARS (ON AN AFTER-TAX BASIS)
- SUBSEQUENTLY, AS A RESULT OF THE NEW MINERAL TAXATION LAW ENACTED IN PERU, THE NEW TAX RATES WERE APPLIED TO THE FINANCIAL MODEL DEVELOPED BY AMEC AS PART OF THE PRE-FEASIBILITY STUDY PROGRESS REPORT, WITH ALL OTHER ASPECTS OF THE FINANCIAL ASSESSMENT INCLUDING METAL PRICES BEING HELD CONSTANT. UNDER THE NEW TAX RATES, THE AFTER-TAX NPV, IRR AND PAYBACK PERIOD FOR THE CAÑARIACO

NORTE PROJECT ARE \$912 MILLION, 17.2% AND 4.4 YEARS RESPECTIVELY, AT A LONG TERM COPPER PRICE OF \$2.25 PER POUND AND A DISCOUNT RATE OF 8%

- CASH OPERATING COST OF \$0.99 PER POUND OF COPPER INCLUDING ALL ON-SITE AND OFFSITE COSTS, TOLL TREATMENT/REFINERY (“TCRC”) CHARGES, NET OF BY-PRODUCT CREDITS
- AVERAGE METAL PRODUCTION OF 262 MILLION POUNDS (119,000 TONNES) COPPER PER YEAR, 37,000 OUNCES OF GOLD PER YEAR, AND 850,000 OUNCES OF SILVER PER YEAR
- AVERAGE PRODUCTION OF 295 MILLION POUNDS (139,000 TONNES) COPPER PER YEAR FOR THE FIRST THREE YEARS OF PRODUCTION
- PRE-PRODUCTION CAPITAL COST OF \$1.437 BILLION BASED ON LEASED MINING EQUIPMENT AND INCLUDING CONTINGENCY OF 20 PERCENT
- ALL-IN CAPITAL COST OF \$1.565 BILLION BASED ON LEASED MINING EQUIPMENT AND INCLUDING WORKING CAPITAL, LIFE-OF-MINE SUSTAINING CAPITAL, AND CLOSURE COSTS
- PROCESSING RATE OF 95,000 TONNES PER DAY USING CONVENTIONAL CRUSH/GRIND AND FLOTATION TECHNOLOGY (SUBSEQUENTLY, AS PART OF THE FEASIBILITY STUDY PROGRAM, AMEC COMPLETED AN ANALYSIS OF THE POTENTIAL BENEFIT OF INCREASED DAILY THROUGHPUT. BASED ON THE ANALYSIS, A LARGER (40 FOOT DIAMETER) SAG MILL AND LARGER BALL MILLS WILL BE INCORPORATED INTO THE CAÑARIACO NORTE PROJECT PROCESS PLANT; PRELIMINARY MODELLING INDICATES THAT THE LARGER SAG MILL WILL ACHIEVE A PROCESSING RATE IN THE RANGE OF 100,000 TO 110,000 TONNES PER DAY)
- WASTE TO ORE STRIP RATIO OF 0.98 TO 1
- AVERAGE LIFE-OF-MINE METAL RECOVERIES OF 89.7 PERCENT FOR COPPER, 55 PERCENT FOR GOLD AND 50 PERCENT FOR SILVER
- CONCENTRATE GRADES AVERAGE APPROXIMATELY 30 PERCENT COPPER, THREE GRAMS PER TONNE GOLD AND 73 GRAMS PER TONNE SILVER
- 22 YEAR MINE LIFE, WITH POTENTIAL FOR EXTENSION BY MINING ADDITIONAL RESOURCES IDENTIFIED BELOW PROPOSED PIT
- CAÑARIACO NORTE PROJECT IS LOCATED AT A MODERATE ELEVATION WITH PIT CENTROID AND PROCESS PLANT AT APPROXIMATELY 3,000 METRES ABOVE SEA LEVEL
- CONNECTION TO PERUVIAN NATIONAL POWER GRID; DISTANCE OF APPROXIMATELY 57 KILOMETRES
- NEW ACCESS ROAD TO MAJOR PAVED HIGHWAY; DISTANCE OF APPROXIMATELY 42 KILOMETRES (SUBSEQUENTLY, AMEC HAS COMPLETED A REVIEW OF POTENTIAL MINE ACCESS ROUTES WHICH INDICATES THAT THE DEVELOPMENT OF A SOUTHERN MINE ACCESS ROAD THAT GENERALLY FOLLOWS THE CURRENT ACCESS ROAD ROUTE WOULD PROVIDE SEVERAL KEY BENEFITS INCLUDING SHORTER HAUL DISTANCE TO THE PORT AT ETEN AND LOWER LIFE OF MINE COST)
- SIGNIFICANT POTENTIAL FOR DISCOVERY OF ADDITIONAL RESOURCES AT NEARBY CAÑARIACO SUR DEPOSIT AND QUEBRADA VERDE PROSPECT.

## **1.2 TERMS OF REFERENCE**

AMEC was requested to complete a Pre-Feasibility Study for the Company on the Cañariaco Norte Project. The study that is the subject of this report is considered to be a Pre-Feasibility Study Progress Report, because:

- ADDITIONAL GEOTECHNICAL DRILLING AND ROCK QUALITY ASSESSMENT IS REQUIRED TO COMPLETE THE OPEN PIT SLOPE DESIGN TO A LEVEL CONSISTENT WITH PRE-FEASIBILITY REQUIREMENTS; THIS DRILLING WAS INITIATED IN 2013 AND 5 OF 11 GEOTECHNICAL DRILL HOLES WERE COMPLETED
- GEOTECHNICAL INVESTIGATIONS ARE REQUIRED IN THE AREA WHERE ABOVE-GROUND STRUCTURES ARE PROPOSED AS PART OF TAILINGS MANAGEMENT FACILITY (“TMF”) DESIGN. INFORMATION FROM THE PLANNED GEOTECHNICAL PROGRAM MAY RESULT IN MODIFICATIONS TO THE DESIGN.

The mine plan is based on Measured and Indicated mineral resources only, with Inferred mineral resources considered as waste. The economic analyses based on these mineral resources, although modelled to a level consistent with a pre-feasibility study, are considered to be a PEA under NI43-101.

## **1.3 LOCATION AND ACCESS**

The Cañariaco Copper Project is located approximately 700 km northwest of the city of Lima and approximately 110 km to the northeast of the city of Chiclayo. Access to the Cañariaco Copper Project is either via the Pan-American Highway (700 kilometres, 11-hour trip), or one of the three-daily commercial airline flights from Lima to Chiclayo. The route from Chiclayo to the Cañariaco Copper Project is currently a 149 kilometre, six-hour trip along mostly unimproved roads via Incahuasi.

The location of the Cañariaco Copper Project is shown in the figure below.

## Cañariaco Copper Project Location



### ***MINERAL TENURE, SURFACE RIGHTS, AND ROYALTIES***

The Cañariaco Copper Project consists of 5 Cañariaco concessions, covering a total area of 4,289.50 hectares.

Mining legislation in Peru does not require location of concession boundaries on the ground. The boundary limits are defined by Universal Transverse Mercator coordinates. To maintain the property in good standing, annual property payments of \$17,500 commenced in June 2002. As of 2019, the amount paid in fees was approx. US\$ 100,000. All required property payments have been made, and the concessions are in good standing. Providing the annual property payments are made in a timely manner, the concessions will not expire.

The owner of the surface rights is the community of Cañaris. Under Peruvian Law 24656, the Company is required to have a valid agreement with Cañaris to undertake exploration. The previous agreement for access with Cañaris expired in December 2009 and on July 8, 2012, the Company entered into a new three year agreement with the community to continue with its exploration activities. Consistent with prior practice, the Company will seek to enter into a new community agreement once drilling is to resume.

The Company has granted a royalty for a 0.5% net smelter return on the Cañariaco Copper Project.

On September 22, 2011, Peru's Parliament approved two new mining taxation laws which apply to companies without tax stabilization agreements - the MMR and the SMT. It is expected that the Cañariaco Copper Project will incur a royalty of 1 to 12% of operating margin under the MMR and a tax of 2 to 8.4% of operating margin under the SMT payable to the Government of Peru, once production commences.

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

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

In December 2016, Peru's Parliament announced another revision to the Corporate Income Tax rate whereby from January 1, 2017, onwards the rate will be 29.5%.

The Cañariaco Norte Project financial analyses presented in section 1.1 of this document were developed by AMEC based on the tax rates in force at that time. Going forward, the financial analyses for the Cañariaco Norte Project Feasibility Study will incorporate applicable new corporate income rate. In section 1.22 of this document, the impact of the new Peru corporate income tax rate on the Cañariaco financial analysis is discussed in more detail.

## **1.5 PERMITS AND THE ENVIRONMENT**

Exploration activities to date have been undertaken in accordance with the applicable Peruvian regulations. A number of permits will be required to support project development and operation, and the main permit requirements have been identified to support proposed construction and mining operations.

The Company is carrying out environmental baseline studies and monitoring under the direction of AMEC Earth and Environmental of Lima, Peru. Baseline data collected since 2007 indicate diverse flora and fauna present in the Project area, and have identified several new flora and fauna species. AMEC notes that in many areas of Peru the biodiversity assessments are not yet complete, and therefore it is not uncommon for detailed environmental impact investigations to identify new species. A social and environmental impact assessment study framework has been prepared and is being fulfilled. Studies include determining the geochemical characteristics of the waste and mineralized rock, water quality, assessing the vicinity of the planned mine area for potential water supplies, and reviewing social and community conditions. Once these studies are completed to levels in accordance with the requirements of the Peruvian Government and meet the guidelines set out in the Equator Principles, then the process of obtaining all the required environmental, construction and mining permits will be undertaken.

At this stage of the Project, environmental liabilities are limited to those expected for an exploration-stage project, and include reclamation of drill pads and access roads.

## **1.6 GEOLOGY AND MINERALIZATION**

The Cañariaco Norte Project polyphase intrusive complex is approximately 1.7 km in strike extent, 1.1 km wide, and has been drill-tested to a depth of 770 metres. The deposit remains open at depth. It is a typical example of an Andean porphyry copper complex.

The country rocks hosting the intrusive complex comprise andesitic pyroclastic rocks and flows on the western, northern and southern sides of the intrusive complex where elevations are higher, and comprise dacite and rhyolite volcanic rocks on the eastern side of the intrusive complex where elevations are lower. Host rocks have been intruded along faults and zones of structural weaknesses by three main intrusive phases. The intrusions are cut by three late mineral breccias. Intrusive units comprise approximately 55–60% of the deposit, breccias approximately 30–35% and pre-mineral volcanic rocks approximately 5–10%. The deposit is capped by a leached zone with a variable thickness ranging from 0 to 120 metres thick, and averaging approximately 40 to 50 metres in thickness, where copper mineralization has been leached out.

The primary copper minerals are chalcopyrite, covellite, and chalcocite. Other copper sulphide minerals that may be present include enargite, bornite and tennantite. Copper sulphide minerals are mainly associated with pyrite and other gangue minerals. Copper minerals and pyrite are disseminated, veined and fracture-hosted, with copper grades directly related to the intensity of fracturing and the alteration type and intensity. Higher grades are associated with potassic, phyllic and argillic alteration and less commonly with propylitic and silicic alteration.

### **1.7 HISTORY AND EXPLORATION**

Prior to the Company's involvement, exploration was conducted by the Peruvian Servicio Nacional de Geología y Minería ("**Ingemmet**"), Placer Dome Exploration Inc. ("**Placer Dome**"), and Billiton Exploration and Mining Perú B.V. ("**Surcusal Peruana**"), from 1967 to 2000. Work completed by these companies included stream sediment sampling, geological mapping, rock chip and grab sampling, trenching and pitting, induced polarization ("**IP**"), resistivity, and ground magnetic surveys, petrographic studies, core drilling, mineral resource estimation, and very preliminary leach testwork.

The Company, through its wholly-owned Peruvian subsidiary Exploraciones Milenio S.A. (now Cañariaco Copper Peru S.A.), acquired 100% ownership of the Cañariaco Copper Project in February 2002. Since that date, the Company has completed geological mapping, prospecting, ground magnetic, resistivity and magnetic geophysical surveys, rock chip sampling, petrographic studies, bulk sampling for metallurgical testing, re-logging and re-sampling of historic drill core, core drilling, mineral resource estimation and technical and economic project assessments.

The exploration programs discovered the Cañariaco Norte copper deposit, and the Cañariaco Sur deposit and Quebrada Verde prospect.

A preliminary economic assessment ("**PEA**") was undertaken in 2006 on the Cañariaco Norte Project, and was updated in 2008. A subsequent PEA was completed in 2011 of which the findings are present in this AIF document. The 2011 PEA supersedes the 2008 PEA, and the 2008 PEA is considered to be no longer relevant.

In November 2010, the Company released an updated mineral resource estimate; this estimate forms the basis for the 2011 PEA.

### **1.8 DRILLING**

A total of 263 core holes (75,672.31 metres), including geotechnical, metallurgical, and hydrogeological drilling for all three targets, Cañariaco Norte Project, Cañariaco Sur deposit, and Quebrada Verde prospect, have been completed.

Core was logged for geological and geotechnical parameters. Drill collar locations were picked up by a surveyor, using a total station instrument. Down-hole surveys were performed using either a Pajari, Sperry Sun, or Reflex EZ-Shot instrument.

Drill core previously generated by Ingemmet and Placer Dome was halved by personnel from these operators; there is no information as to the typical sample intervals taken by either company. The Surcusal Peruana and the Company's drill core was halved and sampled on 2 metre intervals by personnel from these operators.

A total of 9,424 bulk density readings were taken by the Company's personnel on core, and an additional 550 specific gravity determinations were performed by ALS Chemex (Lima).

### **1.9 ANALYSES AND QUALITY ASSURANCE/QUALITY CONTROL ("**QA/QC**")**

Several primary assay laboratories have been used for routine analyses over the history of the Project. Ingemmet used the Plenge Laboratory in Lima and the Ingemmet internal laboratory, also located in Lima. Placer Dome utilized the SGS-XRAL ("**SGS**") laboratory in Lima. For the Surcusal Peruana sampling, sample preparation was undertaken by ALS Chemex in Trujillo, and primary analysis by ALS Chemex in Lima.

Limited information is available on the sample preparation and analysis methods for Ingemmet or Placer Dome. Ingemmet samples were analyzed for copper and molybdenum, and more rarely gold and silver, using a colorimetric analytical method. Sursusal Peruana samples were 200 gram splits of a one kilogram, 200 mesh homogenized sample. A split from each sample pulp was assayed for gold (fire assay with atomic absorption finish, 10 parts per billion detection limit) and copper, lead, zinc, molybdenum and arsenic (multi-acid, total digest), with an atomic absorption (“AA”) finish for each element. SGS completed check assays on a split of one in 20 pulps using the same analytical procedures as the initial analysis performed by ALS Chemex.

Activation-Skyline Laboratories (“Actlabs”) in Lima, Peru, performed all of the sample preparation and the majority of the analyses for the Company’s programs. Inductively-coupled plasma (“ICP”) analyses were performed by the Ancaster, Canada, Actlabs laboratory. Some analyses for the re-analysis of pre-2008 core samples for gold and ICP were undertaken by ALS Chemex in Lima. ACME Laboratories, Lima were used as a check laboratory for pulp analyses.

Each Company sample was subject to total copper and sequential copper leaching analysis, using a three-acid digest and AA finish. Gold used an aqua regia digest, with a fire assay and AA finish. Depending on the sample, a 36-element suite was analysed by Actlabs using inductively-coupled plasma optical emission spectrometry, or a 33-element suite was analysed by ALS Chemex using an ICP atomic emission spectroscopy method.

There is limited currently-available information on any QA/QC programs for the Ingemmet and Placer Dome work programs. Sursusal Peruana used blanks, standard reference materials (“SRMs”) and check assays. The Company’s QA/QC program included field, pulp and coarse reject duplicates, blanks, and SRMs.

#### ***1.10 DATA VERIFICATION***

All data in the field are recorded in written form in field books, log books, sample sheets, logging forms or shipping forms. All field data is hand-entered into Excel tables. Data from third parties such as laboratories or survey contractors are generally supplied in digital and printed form. All data are verified by Company personnel.

A number of data verification programs and audits have been performed over the Cañariaco Copper Project history, primarily in support of technical reports. No errors or omissions were noted during these reviews.

Drill data collected from the Ingemmet, Placer Dome and Sursusal Peruana campaigns were re-logged by Company personnel, and nine of the drill holes have been re-assayed. Based on the correlations between the historical grades and the Company’s re-assay grades, all of the historical data were accepted into the final database.

Three pairs of twinned holes were drilled by the Company to verify grade uniformity at short distances. In general, similar average grades were noted over the same depth intervals.

#### ***1.11 METALLURGICAL TESTWORK***

Initial metallurgical test-work was focused on the extraction and recovery of oxide copper mineralization using leaching technology. However, as the project has developed, and the copper mineralization was confirmed as primarily sulphide, test work focussed on the application of crushing, grinding and floatation for copper extraction and recovery. Test-work completed to date included Qemscan mineralogical examination to assess mineral characteristics, comminution and variability comminution (grinding) tests, and floatation tests to assess the effects of grind size, reagent types and combinations, and pH on copper recovery. The objective of the test-work program is to develop a process flow-sheet that will maximize the copper, gold and silver recoveries. Additional roasting tests were performed on samples of copper concentrates for proof-of-concept testing to demonstrate that arsenic levels in concentrate could be reduced by using a partial roasting step, to produce a concentrate which would have low or no penalty elements, and would be broadly marketable.

The currently proposed process will use conventional technology and equipment that is used in large copper mines throughout the global mining industry. The process will include crushing and grinding for size reduction followed by three stages of floatation with a concentrate regrinding stage to extract and recover copper, gold and silver. The



process will produce a concentrate containing primarily copper, with smaller amounts gold and silver. The Cañariaco Norte Project also contains arsenic which will report to the copper concentrate. As arsenic is a deleterious element for concentrate smelting, the Cañariaco Norte Project process will include a concentrate partial roast stage to remove arsenic from the concentrate copper. The partial roast stage will produce by-product sulfuric acid which will be marketed to users in western South America.

### **1.12 RECOVERIES**

Copper recoveries used to support Mineral Resource estimation and plant design were estimated based on the test work and a grade-recovery model developed by AMEC. Copper recovery will be variable ranging from 58.8 percent at 0.1 percent copper to 93.1 percent at 0.6 percent copper. Gold and silver recoveries are projected to be 55 percent and 50 percent respectively.

### **1.13 MINERAL RESOURCES**

The mineral resource estimate database comprises 230 core holes (67,485.06 metres of core, of which 66,584.29 metres have assay intervals) from the Ingemmet, Placer Dome, Sursusal Peruana and the Company's drill programs and has a cut-off date for information to be included in the Report of July 18, 2010.

Lithological and alteration interpretations were provided as sections by the Company; AMEC created bench polygons and models from these. Estimation domains were defined following evaluation of statistical distributions of lithological and alteration units. AMEC created a total of seven domains for copper and four domains for gold and silver. Domains for arsenic, which is a contaminant in the metallurgical process, were based on low- and high-grade populations considering a 250 ppm arsenic threshold as the upper limit for low-grade arsenic data.

AMEC regularized the assay intervals by compositing the drill-hole data into six metre lengths using no geological or domain boundaries. Exploratory data analysis comprised basic statistical evaluation of the six metre composites for copper, gold, silver and arsenic. Sage2001 software was used to construct down-hole and directional correlograms for the estimation domains for copper, gold, silver and arsenic. Probability plots were evaluated to define grade outliers for copper, gold, and silver and by estimation domains. Copper, gold, and silver grades were capped in each domain; arsenic values were not capped.

The block model consists of regular blocks (15 metres by 15 metres by 15 metres) and no rotation is used. The block size was chosen such that geological contacts are reasonably well reflected and to support an open pit mining scenario.

AMEC estimated copper, gold, silver and arsenic grades by estimation domains using ordinary kriging ("OK") interpolation for the majority of domains. Inverse distance weighting to the second power ( $ID^2$ ) was used to interpolate gold and silver in domains where variography was not considered sufficiently robust. Indicator kriging was also used to estimate the probabilities of low- and high-grade arsenic values within blocks. Density values were assigned to blocks based upon the lithological codes.

The Cañariaco Norte Project block model was validated to ensure appropriate honouring of the input data, including construction of a nearest neighbour model to validate the OK model. No biases or errors were noted with the model.

AMEC used the following criteria to pre-classify blocks into categories as:

- MEASURED MINERAL RESOURCES: REQUIRE COMPOSITES FROM A MINIMUM OF THREE DRILL HOLES WITHIN 75 METRES RADIUS FROM A BLOCK CENTROID, OR SAMPLES FROM TWO DRILL HOLES WITH THE CLOSEST SAMPLE WITHIN 25 METRES OF THE BLOCK CENTROID.
- INDICATED MINERAL RESOURCES: SAMPLES FROM A MINIMUM OF TWO DRILL HOLES WITHIN 110 METRE DISTANCE OF THE BLOCK CENTROID.

Blocks that were not classified as Measured or Indicated categories, and had a composite within 135 metres from the block centroid were classified as Inferred. Remaining blocks were not classified. A semi-automated process was used to smooth the initial classification and avoid islands or isolated blocks of different categories.

Reasonable prospects of economic extraction were assessed by applying preliminary economic constraints within an open pit shell. Mining and process costs, as well as process recoveries were defined from ongoing AMEC studies for the Cañariaco Norte Project. AMEC defined a cut-off value of 0.2 percent copper for reporting mineral resources from these parameters.

The mineral resource estimate for Cañariaco Norte Project was prepared by AMEC. A NI 43-101 Technical Report with effective date of November 8, 2010, and titled “Cañariaco Project, Lambayeque Department, Peru, was filed on December 15, 2010, with Canadian securities regulators in support of the resource statement.

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

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

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

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

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

#### **1.14 PROJECTED MINE PLAN**

The mine plan is based on diluted Measured and Indicated mineral resources only in a Lerchs-Grossmann optimized pit shell generated at metal prices of \$2.25 per pound copper, \$930 per ounce gold, and \$15 per ounce silver.

Large-scale conventional bulk open pit mining was selected for Cañariaco, featuring 311 mm diameter blast hole drills, 43 m<sup>3</sup> rope shovels, and 290 tonne haul trucks working on 15 m benches. A single pit with internal phases will provide process feed at a rate of 95,000 tonnes per day (which, as noted above, has subsequently been increased to a range between 100,000 to 110,000 tonnes per day (based upon preliminary modelling) as a result of using a larger SAG mill).

Diluted net smelter return values were calculated for cut-off application and block valuation during pit optimization. An average mining cost of \$1.42 per tonne mined was estimated. A combined mill feed-based cost of \$3.57 per tonne milled was used for pit optimization: this also represents the marginal breakeven cut-off grade. The input parameters

utilized for the mine plan development included a target mine life between 18 years and 22 years, a life-of-mine (“LOM”) head grade of no less than 0.40 percent copper, and a strip ratio of less than 1:1.

The mine plan results in a total of 713.5 million tonnes of waste and 728.2 million tonnes of mill feed (0.98:1 strip ratio) over a 22-year mine operating life. Average life-of-mine head grades to the process plant will be 0.40 percent copper, 0.067 grams per tonne gold and 1.71 grams per tonne silver. The mine grades during the first three years of production will be higher, with average feed grades of 0.48 percent copper, 0.086 grams per tonne gold and 2.14 grams per tonne silver.

A single elongated waste rock management facility will be developed adjacent to the pit.

### **1.15 PROPOSED PROCESS ROUTE**

The process design is for a concentrator with a nominal processing capacity of 95,000 tonnes per day of mineralization from the open pit (which, as noted above, has subsequently been increased to a range between 100,000 to 110,000 tonnes per day). The mineral processing and the roasting/acid plants are based on conventional technology and industry proven equipment.

Run-of-mine ore from the open pit will be crushed and conveyed to the concentrator where the ore will be ground to liberate the mineral values from the host rock and then separated by flotation. The bulk copper-silver-gold sulphide concentrate produced will be filtered and introduced into the roasting plant. There the concentrate will undergo a partial oxidative roast, which will remove the arsenic and part of the sulphur into the gaseous phase. The gas will be scrubbed to capture particulate matter and the arsenic into solution. This solution will report to a stabilization circuit that will remove any valuable copper and convert the arsenic into a stable residue, which will be filtered and transferred to long term storage facility.

After removal of the arsenic, the gas containing sulphur dioxide will be processed through a modular plant to produce saleable sulphuric acid.

The copper precipitate and solid calcine produced from the roaster and its cyclones will be agglomerated and stockpiled. Trucks will transport the combined concentrate to the port facilities, where it will be placed on ocean-going vessels for transport to overseas smelters.

### **1.16 PROPOSED TAILINGS MANAGEMENT**

The tailings management facility (“TMF”) presented in this report is designed to manage tailings for mine operations at a processing rate of 95,000 t/d for 19 years as per the preliminary mine plan. Subsequent to completion of this facility design, an updated mine plan was developed that extended the mine life to 22 years. To accurately reflect this change, the TMF design will be updated during the next phase of project study. However, the current facility represents a reasonable assessment of the associated costs for the project based on the known conditions.

The main components of the TMF are as follows:

- Starter embankment;
- TMF embankment;
- Seepage collection impoundment;
- Construction diversion structures; and
- Arsenic residue management facility.

Design criteria utilized are commensurate with appropriate governance literature and/or as appropriate, industry standards for this level of study. Water from the TMF will be reclaimed to the process plant during operations. The process plant will require 166 m<sup>3</sup> per day of reclaim water from the TMF and 18 m<sup>3</sup> per day of fresh water make-up to replace water losses from operations.

### **1.17 PROPOSED WATER MANAGEMENT**

The surface water management plan for the Cañariaco Norte Project will preserve to the maximum extent possible the “non-contact” status of surface waters. Waters that become affected by project activities, or “contact” waters, will be contained, and if necessary, treated, so that waters that are released to the environment always meet the applicable water quality regulatory guidelines. A system of impoundments, embankments, diversions and spillways will be developed immediately as construction commences to handle run-off from construction related activities. This system will continue to be developed through construction and operations activities to ensure water discharged to the environment always meets the guidelines.

### **1.18 PROPOSED WORKFORCE**

The total workforce during operation of the proposed mining operation is estimated at 600 persons. The work schedule assumes production will operate 24 hours a day, seven days a week, 365 days a year.

### **1.19 INFRASTRUCTURE**

The mine site facilities are divided into three general areas: the mine, the plant site, which includes buildings and structures for repair and maintenance of mine and plant equipment, repair and maintenance, and the camp area, which includes facilities for personnel accommodations, administration, and security. Other support facilities and services include site access, power supply and distribution, water supply, explosive storage and handling, communications systems and waste disposal facilities at the site.

Project infrastructure will also include facilities at the Port of Salaverry. Salaverry is an operating port that currently serves as a copper concentrate load-out port for other copper concentrate producers. Here, the Company plans to have its own dedicated concentrate receiving, storage, and reclaim facilities and would share general site services and ship berthing/load-out equipment. Use of this concentrate load-out facility will depend on concluding a use agreement with the operator.

### **1.20 PROJECTED CAPITAL COSTS**

The base case capital cost estimate for the financial model was developed by AMEC in 2010. The Company plans to develop a new capital cost estimate as part of the Feasibility Study by AMEC Foster Wheeler.

The 2010 capital cost estimate assumes open pit mining by the owner with leased supply of mobile mining equipment including scheduled additions and replacements. All other project costs are the responsibility of the owner including process and infrastructure preproduction capital, life of mine sustaining capital, and closure costs. The estimate covers the direct field costs of executing the project, plus the owner’s indirect costs associated with design, construction, and commissioning. All costs were expressed in third quarter (Q3) 2010 United States dollars. No allowance has been included for escalation, interest or financing fees, taxes or duties, or working capital during construction. The level of accuracy for the estimate is  $\pm 20\%$  of estimated final costs, as per AACE Class 4 definition. The capital cost to achieve production is \$1.437 billion. Life of mine capital cost including sustaining capital and closure costs is \$1.565 billion. Capital costs are summarized in Table 1-3.

**Table 1-3: Summary of Capital Costs**

<b>Area</b>	<b>2010 (USD 1,000)</b>
Pre-stripping	70,008
Mining Infrastructure & Equipment	101,942
Processing Plant & Acid Plant	381,277
On Site Infrastructures	133,444
Tailings Management	101,527
Project Access Road	38,795
Water Diversion & Reservoir	50,753
Port Site Facilities	26,887
Total Direct	904,633
Owner’s Cost	52,899

Indirects	243,076
Total Indirects	295,975
Contingency	236,522
<b>Total Capital Cost</b>	<b>1,437,160</b>
Life of Mine Sustaining Capital	70,004
Closure	57,700
<b>TOTAL</b>	<b>1,565,000</b>

### 1.21 PROJECTED OPERATING COSTS

The operating costs for the Cañariaco Norte Project were developed in 2010 by AMEC and since that time global operating costs for mining operations have experienced escalation. The Company plans to develop a new operating cost estimate as part of the Feasibility Study with AMEC Foster Wheeler. The 2010 operating costs are based on an owner-operated mining fleet and process facility and have been prepared in third quarter 2010 United States dollars. The operating cost estimates were assembled by area and component, based on estimated staffing levels, consumables, and expenditures, according to the mine plan and process design. Average operating costs over the LOM are shown in Table 1-4.

**Table 1-4: Operating Costs Summary**

Area	Unit	US\$	Unit	US\$ /lb Cu
<b>On-site Costs</b>				
Mining	\$/t processed	\$2.74	\$/lb Cu	\$0.360
Processing	\$/t processed	\$3.11	\$/lb Cu	\$0.408
General & Administration	\$/t processed	\$0.43	\$/lb Cu	\$0.056
Sub-total Site Costs	\$/t processed	\$6.28	\$/lb Cu	\$0.824
<b>Off-site Costs</b>				
Concentrate Transport--Land	\$/t concentrate	\$21.00	\$/lb Cu	\$0.035
Concentrate Handling--Port	\$/t concentrate	\$12.06	\$/lb Cu	\$0.020
Concentrate Transport--Ocean	\$/t concentrate	\$52.30	\$/lb Cu	\$0.086
Smelting & Refining	\$/t concentrate	\$181.31	\$/lb Cu	\$0.280
Sub-total Off-site Costs	\$/t concentrate	\$266.67	\$/lb Cu	\$0.421
Total Cost On-Site & Off-Site			\$/lb Cu	\$1.245
Credits (Gold, Silver, Acid)			\$/lb Cu	\$0.250
Total Cost			\$/lb Cu	\$0.995

### 1.22 FINANCIAL ANALYSIS

The results of the economic analyses discussed in this section represent forward-looking information as defined under Canadian provincial securities law. The results depend on inputs that are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those presented here. The economic analysis is based on the evaluation of Measured and Indicated Mineral Resources. Mineral resources are not mineral reserves, and do not have demonstrated economic viability.

The Project has been valued using a discounted cash flow approach. Net annual cash flows are discounted back to the date of valuation in end-of-year 2010 dollars and totalled to determine NPVs at the selected discount rates. The payback period is calculated as the time needed to recover the initial capital spent. All monetary amounts are presented in US dollars.

In the AMEC Pre-Feasibility Study Progress Report, the pre-tax cumulative cash flow for the base case was estimated to be \$5,998 million with an IRR of 26.8%. The cash flow analysis shows that the Cañariaco Norte Project will

generate a positive cash flow in all years except year-2 and year-1 on a pre-tax basis. The annual positive cash flow results in a pre-tax payback period of 2.9 years. At an eight percent discount rate, the pre-tax NPV of the project is \$1,983 million.

The after-tax cumulative cash flow for the base case is \$3,855 million with an IRR of 18.8 percent. The cash flow analysis shows that the project will generate a positive cash flow in all years except year-2 and year-1 on an after-tax basis. The annual positive cash flow results in a payback period of 4.1 years. At an eight percent discount rate, the NPV of the project is \$1,063 million.

The financial analysis results for the base case are summarized in Table 1-5.

**Table 1-5: Results of Financial Analysis for Base Case (\$2.92 reverting to \$2.25 copper; 8% discount rate)**

<b>SUMMARY OF CASH FLOW</b>		<b>PRE-TAX</b>	<b>AFTER TAX</b>
<b>Cumulative net cash flow</b>			
Undiscounted	US\$000	5,997,662	3,855,417
<b>Net Present Value</b>			
Discounted at 4%	US\$000	3,395,140	2,040,471
Discounted at 6%	US\$000	2,395,140	1,481,321
Discounted at 8%	US\$000	<b>1,983,089</b>	<b>1,063,416</b>
Discounted at 10%	US\$000	1,520,971	746,126
Discounted at 15%	US\$000	763,306	231,322
<b>Internal rate of return</b>		<b>26.8%</b>	18.8%
<b>Payback period</b>	Years	<b>2.9</b>	<b>4.1</b>

*Note: Base case copper prices are based on long-term reverting price curves whereby metal prices in the early years of operation are higher and gradually decrease to fixed long term prices after year 10. This approach recognizes the industry-consensus view that future copper and precious metal prices will remain higher than historical price trends over the short- to medium-term, with reversion to lower long-term prices.*

Sensitivity analysis was performed on the base case taking into account variations in the metal price, operating cost, foreign exchange, and mining cost. Analysis shows that the Cañariaco Copper Project is most sensitive to changes in metal prices, as this directly affects the revenue stream.

### **New Peru Mineral Tax Law 2011**

In September 2011, revisions were enacted to the Peru Mineral Tax Law where by royalty rates were increased. At the Company's request AMEC revised the financial analysis to incorporate the new royalty rates.

Under the new Peru Mineral Tax Law the after-tax cumulative cash flow for the base case is \$3,546 million with an IRR of 17.2 percent. The annual positive cash flow results in a payback period of 4.4 years. At an eight percent discount rate, the NPV of the project is \$912 million.

The financial analysis results for the base case under the new Peru Mineral Tax Law are summarized in Table 1-6.

**Table 1-6: Results of Financial Analysis for Base Case (\$2.92 reverting to \$2.25 copper; 8% discount rate)**

<b>SUMMARY OF CASH FLOW</b>		<b>PRE-TAX</b>	<b>AFTER TAX</b>
<b>Cumulative net cash flow</b>			
Undiscounted	US\$000	5,997,662	3,546,000
<b>Net Present Value</b>			
Discounted at 4%	US\$000	3,395,140	1,829,663
Discounted at 6%	US\$000	2,395,140	1,303,768
Discounted at 8%	US\$000	<b>1,983,089</b>	<b>911,969</b>
Discounted at 10%	US\$000	1,520,971	615,412
Discounted at 15%	US\$000	763,306	136,608
<b>Internal rate of return</b>		<b>26.8%</b>	17.2%
<b>Payback period</b>	Years	<b>2.9</b>	<b>4.4</b>

## **Subsequent Revisions to Peru Corporate Income Tax**

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

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

In December 2016, Peru's Parliament announced another revision to the Corporate Income Tax rate whereby from January 1, 2017, onwards the rate will be 29.5%.

With the new corporate tax rate of 29.5% is inserted into the existing Cañariaco financial model, the pre-tax and post-tax internal rate of return increases to 27.5% and 17.3% respectively. The pre-tax and post-tax NPV at an 8% discount are \$2,104,377 and \$922,905,000 with a payback period of 2.8 and 4.4 years respectively.

Going forward, the financial analyses for the Cañariaco Norte Project Feasibility Study will incorporate the applicable new corporate income rate.

### ***1.23 EXPLORATION POTENTIAL***

The Cañariaco Norte Project is open to depth and the potential exists for the mine life to be extended beyond the 22 years proposed in Pre-feasibility Study Progress Report and/or the mining and processing rate to be increased. Both opportunities offer the potential to enhance the economics of the Cañariaco Norte Project.

### ***1.25 CONCLUSIONS***

In the opinion of the Qualified Persons under NI 43-101 who authored the January 2011 Pre-Feasibility Study Progress Report, the project that is outlined in such report has met its objectives in that mineralization has been identified that can support estimation of Mineral Resources. There is sufficient additional scientific and technical information to support an updated preliminary economic assessment.

Work performed and reported in this report was based on a pre-feasibility study commissioned by the Company, and is based on interim information from that study. Additional geotechnical drilling and rock quality assessment is required to complete the open pit slope design to a level consistent with generally accepted pre-feasibility requirements. The above ground structures in the TMF were designed to a pre-feasibility level; however, geotechnical investigations in the TMF area have not been completed and as a result there is a risk that the TMF design may require revision.

### ***1.24 RECOMMENDATIONS***

The following work is recommended; no phase is contingent on another, and all can be conducted concurrently. The total cost of the recommendations ranges from \$2.21 million to \$2.41 million.

The Company should:

- initiate insertion of fine pulp duplicate samples for precision analysis, as this is currently not part of the Company's sampling program. Such checks should be instituted in all future exploration programs. AMEC estimates that this would add approximately 5% to the total costs of the sample analytical programs;
- construct a relational database using a commercial database software package, for more detailed studies. Costs of such a program would depend on whether the database was constructed in-house or a third-party consultant was contracted to complete the exercise. Estimated cost: \$10,000;

- drill 11 geotechnical core holes (6,690 m) to provide additional information in the proposed pit area on rock mass properties, joint patterns, hydrogeology and geological modeling/resource estimation. Estimated cost: \$1.1 million; (5 of 11 recommended drill holes were completed in 2013)
- drill additional holes to increase the level of confidence of the lithological interpretation in areas outside the existing drill hole limits but constrained by the resource pit. The proposed geotechnical holes will cover part of the recommendation; however, an additional 10 holes (6,000 m) is suggested. Estimated cost: \$900,000 to \$950,000;
- complete a full review of the alteration interpretation on vertical sections reconciled to bench plans. Constructing a mineral zonation model for the next phase of study. Evaluating arsenic distribution using the interpreted units. Estimated cost: \$200,000 to \$350,000; and
- instituting a continuous program of specific gravity determinations from core samples preferably using the same laboratory and determination procedures as those used in the 2010 testing program. AMEC estimates that this would add approximately 2–5% to the total analytical program costs.

At the completion of this work, results should be reviewed and incorporated as appropriate into the ongoing pre-feasibility study or future detailed studies.

### **Cañariaco Sur Deposit and Quebrada Verde Prospect**

The potential exists to discover and delineate additional resources at the Cañariaco Sur deposit and Quebrada Verde prospect which are located approximately 1.5 kilometres and 3 kilometres south respectively of the Cañariaco Norte Project. These targets are located within the Company's Cañariaco Copper Project and, should an economic deposit be delineated at either site, it is possible that development would utilize the proposed Cañariaco Norte Project facilities.

Anomalous copper, molybdenum and gold soil geochemistry from a 2008 survey and coincident IP (chargeability and resistivity) and airborne magnetics from 2012 surveys, outline the larger sulphide system containing the mineralization encountered at Cañariaco Sur deposit and potentially at Quebrada Verde prospect. Limited diamond drilling in 1999 and 2008 confirmed the presence of significant copper and gold mineralization at Cañariaco Sur deposit. A single very short hole was drilled at Quebrada Verde prospect in 1999 and cut anomalous copper and gold values in a zone of high chargeability.

A ten-hole diamond drill hole program, totaling about 4,205 metres, was completed at Cañariaco Sur deposit in May 2013. The purpose of the program was to expand on the limits of copper and gold mineralization encountered in previous drilling programs carried out in 1999 and 2008. The 2013 program was successful in that it expanded the 0.3% copper equivalent\* shell to approximately 800 metres by 500-700 metres, and up to depths in excess of 500 metres. In addition, the mineralization is open to the north, west and southwest. Summary drill results are shown in table 1-7 below.



Table 1-7. Cañariaco Sur deposit, Peru: DDH Drilling Summary

Hole	Total Length (m)	From (m)	To (m)	Width (m)	Cu (%)	Au (g/t)	Ag (g/t)	Cu Eq* (%)
<b>CS-99-001</b>	170.50	0.00	170.50	170.50	0.26	0.16	na	0.36
<i>including</i>		74.00	126.55	52.55	0.40	0.30	na	0.58
<b>CS-99-002</b>	149.50	0.00	149.50	149.50	0.33	0.08	na	0.38
<i>including</i>		24.00	130.50	106.50	0.40	0.09	na	0.46
<b>CS-99-03</b>	152.50	0.00	152.50	152.50	0.08	0.03	na	0.09
<b>CS-08-001</b>	534.85	0.00	534.85	534.85	0.27	0.11	1.2	0.35
<i>including</i>		146.00	534.85	388.85	0.34	0.14	1.4	0.44
<b>CS-08-002</b>	505.75	0.00	505.75	505.75	0.25	0.09	1.5	0.32
<i>including</i>		69.00	290.00	221.00	0.39	0.13	1.5	0.48
<b>CS-12-003</b>	528.50	0.00	528.50	528.50	0.24	0.07	0.9	0.29
<i>including</i>		10.50	250.00	239.50	0.27	0.08	0.9	0.33
<i>including</i>		10.50	124.00	113.50	0.35	0.10	1.4	0.42
<b>CS-13-004</b>	411.30	0.00	411.30	411.30	0.19	0.08	1.5	0.25
<i>including</i>		214.00	411.30	197.30	0.26	0.11	2.0	0.35
<b>CS-13-005</b>	265.00	0.00	265.00	265.00	0.15	0.05	1.1	0.19
<i>including</i>		178.00	265.00	87.00	0.25	0.06	1.6	0.30
<i>including</i>		178.00	215.00	37.00	0.36	0.10	2.1	0.44
<b>CS-13-006</b>	409.20	0.00	409.20	409.20	0.23	0.10	1.7	0.30
<i>including</i>		42.00	267.00	225.00	0.32	0.13	1.9	0.42
<b>CS-13-007</b>	500.00	0.00	500.00	500.00	0.11	0.04	1.5	0.15
<i>including</i>		143.00	250.00	107.00	0.22	0.06	1.7	0.28
<i>including</i>		203.75	250.00	46.25	0.33	0.09	2.2	0.41
<b>CS-13-008</b>	525.65	0.00	525.65	525.65	0.21	0.05	0.6	0.25
<i>including</i>		8.00	316.00	308.00	0.27	0.06	0.8	0.32
<i>including</i>		8.00	152.80	144.80	0.32	0.06	0.9	0.36
<i>including</i>		241.50	316.00	74.50	0.36	0.10	1.1	0.43
<b>CS-13-009</b>	289.20	0.00	289.20	289.20	0.19	0.04	0.8	0.22
<i>including</i>		9.50	125.00	115.50	0.31	0.06	1.2	0.36
<b>CS-13-010</b>	424.75	0.00	424.75	424.75	0.06	0.02	0.7	0.08
<i>including</i>		137.00	211.00	74.00	0.12	0.02	0.7	0.14
<b>CS-13-011</b>	451.10	0.00	451.10	451.10	0.13	0.05	0.8	0.17
<i>including</i>		0.00	107.00	107.00	0.22	0.11	1.0	0.30
<i>including</i>		0.00	13.50	13.50	0.32	0.06	1.1	0.36
<i>including</i>		45.55	115.00	69.45	0.21	0.14	0.8	0.31
<i>including</i>		250.54	264.50	13.96	0.35	0.08	1.1	0.41
<b>CS-13-012</b>	400.45	0.00	400.45	400.45	0.12	0.03	0.3	0.14
<i>including</i>		0.00	101.00	101.00	0.22	0.06	0.8	0.27
<i>including</i>		0.00	15.25	15.25	0.242	0.04	1.3	0.28
<i>including</i>		32.00	63.00	31.00	0.24	0.05	0.5	0.28

<i>including</i>		77.00	101.00	24.00	0.28	0.09	0.7	0.34
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\* Copper equivalent grades are based on metal prices of: copper \$2.50/lb, gold \$1035 per oz and silver \$17.25 per oz. Metal recoveries have not been applied in the copper equivalent calculation. The copper equivalent calculation is as follows:  $Cu Eq = Cu grade + (Au grade \times Au price + Ag grade \times Au price) / (22.0462 \times 31.1035 \times Cu price)$ .

Copper mineralization consists of chalcopyrite and lesser bornite occurring as disseminations and within quartz-sulphide veins. Total sulphide content is low, averaging between 1-2%. Chalcopyrite is commonly dominant over pyrite. Copper mineralization is associated with potassic, phyllic and to a lesser extent propylitic alteration. Higher copper grades are generally associated with potassic alteration where bornite is commonly more abundant than for other alteration types.

Potassic alteration is centred on holes CS-99-01 and 02, CS-08-01 and 02, and the lower half of CS-12-003. To the east, holes CS-13-004-006 and 008-009 show more moderate potassic alteration over propylitic alteration, and further east in the lower parts of holes CS-13-007 and 009, and all of hole CS-13-010, alteration is dominantly propylitic with pyrite content ranging from 1-3% with only anomalous copper values rarely >0.1% copper. Phyllic alteration is best preserved in the upper 250m of hole CS-12-003 and is characterized by quartz-sericite alteration and obliteration of secondary biotite, and minor quartz-sulphide D-vein stockwork. Phyllic alteration is a copper-additive phase of alteration and is open to the west and southwest of current drilling.

Mineralization and alteration are associated with multi-phase and variably porphyritic intrusive rocks and intermediate volcanic rocks. Sporadic and volumetrically insignificant igneous and hydrothermal breccias can run greater than 0.5% copper.

Additional drilling is planned to further test the limits of the mineralization encountered at Cañariaco Sur deposit as well as the potential at the Quebrada Verde prospect.

## **EXPLORATION PROJECTS**

Candente Copper retains 100% ownership of two exploration properties in Peru (see map below). The Don Gregorio and Arikepay projects have been retained, whereas the La Grama, Miraflores, El As de Zinc and Las Pavas projects have been abandoned. The Don Gregorio and Arikepay properties have been previously drill tested and further potential exists at both.



## DON GREGORIO PROJECT

The property is located in northern Peru 140 km NNE of Chiclayo in the department of Cajamarca. One mineral claim of 100 hectares was sold in February 2015 and four mineral claims totaling 1,700 hectares were abandoned. Currently the property consists of one mineral claim totaling 900 hectares. The property is located approximately 40 km north of Candente Copper's Cañariaco Norte Project.

Previous exploration dates back to the 1970s and includes mapping, rock and soil sampling, limited IP surveying, and drilling. Twelve drill holes totaling 1,648 metres partially tested coincident IP chargeability and copper-gold rock geochemical anomalies. Assays from this drilling include 153.3 metres of 0.394% copper and 0.18 g/t gold. All holes drilled intersected disseminated and veined porphyry style copper-gold mineralization returning copper and gold grades up to 0.79% and >0.2 g/t, respectively. In addition, a poorly defined supergene sulphide zone was intersected in several holes. Most holes were drilled to depths of <100 metres and only two holes were drilled to 300 metres. IP chargeability and copper-gold rock geochemical anomalies indicate that the mineralized system could be much more

extensive than currently known.

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

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

The property is situated in a favourable location with respect to other porphyry copper-gold deposits in northern Peru, and the Company considers the property to be under-explored, as mineralization remains open laterally and at depth.

In June, 2017 the Company optioned the property to Plan B Minerals who has the right to earn a 60% interest in the property by making staged payments of \$500,000 to Candente and by drilling 10,000 metres within 3 years of receiving drilling permits (see News Release dated June 29, 2017). Permitting for sampling, mapping and drilling is currently underway.

## **ARIKEPAY PROJECT**

The Arikepay property is located in southern Peru in the Department of Arequipa, 58 km south of the city of Arequipa and 45 km south of Freeport-McMoRan's Cerro Verde copper-molybdenum mine. The property consists of three mineral claims totalling 1,800 hectares. Arikepay was known as a copper prospect with sparsely exposed porphyry style alteration on surface. In the 1990's, prior to the Company's ownership of Arikepay, a major mining company drilled four closely spaced reverse circulation drill holes on the property. There were no geological or assay data available to the Company from this drilling.

Candente Copper has conducted reconnaissance mapping and sampling and reported that highly anomalous copper, gold and molybdenum geochemical results were returned from strongly altered and leached rock samples collected from an area of sparsely exposed outcrop on this property. Despite the previous drilling in the 1990's, the Company's geologists felt that the area was under-explored and that potential for porphyry style mineralization existed under gravel cover to the northwest. Helicopter-borne magnetics surveying was completed for the Arikepay project in May 2012 for approximately 800 line kilometres and all data was processed. A fourteen-hole reverse circulation (RC) drilling program was completed in June 2012 for a total of 3,630 metres and was successful in the discovery of a large porphyry Cu-Au-Ag system. RC chip samples were sent to SGS labs in Lima and subjected to multi-element ICP analyses as well as fire assay for gold (Table 1). Petrography was done on various samples to assist in determining rock and alteration types.

The Arikepay porphyry system measures approximately 2,200 metres by 700 to 1,200 metres, is elongated north-northwest and extends to a depth of at least 300 metres and over half of the known system is covered by younger gravel cover deposits. Strong pyrite mineralization occurs in all but two holes and significant Cu, Au and Ag values occur in all but three holes. Alteration is typical for porphyry systems with widespread propylitic alteration of varying intensity overprinted by moderate to strong phyllic alteration. Potassic alteration is not well defined, likely due to the intensity of the phyllic overprint and relatively shallow depth of drilling (300 metres maximum). This alteration assemblage is consistent with the area of sparsely exposed alteration in the south part of the system.

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

<b>Hole</b>	<b>Total Length (meter)</b>	<b>From (meter)</b>	<b>To (meter)</b>	<b>Width (meter)</b>	<b>Cu (%)</b>	<b>Au (g/t)</b>	<b>Ag (g/t)</b>	<b>Cu Eq* (%)</b>
<b>RC-12-ARI-001</b>	300	0	300	300	0.07	0.11	1.5	0.16
<i>including</i>		0	16	16	0.15	0.05	0.6	0.19
<b>RC-12-ARI-002</b>	300	8	300	292	0.08	0.39	2.7	0.39
<i>including</i>		8	70	68	0.13	0.75	3.2	0.70
<i>including</i>		254	300	46	0.11	0.19	2.2	0.27
<b>RC-12-ARI-003</b>	300	32	300	268	0.17	0.09	5.1	0.29
<i>including</i>		70	216	146	0.16	0.08	8.2	0.31
<b>RC-12-ARI-004</b>	200			No Significant Values				
<b>RC-12-ARI-005</b>	300	64	300	236	0.12	0.19	1.2	0.26
<i>including</i>		64	144	80	0.12	0.32	1.0	0.35
		246	284	38	0.17	0.16	1.6	0.30
<b>RC-12-ARI-006</b>	300	62	300	238	0.29	0.13	1.7	0.39
<i>including</i>		62	204	142	0.36	0.17	2.0	0.51
<b>RC-12-ARI-007</b>	300	144	300	156	0.062	0.016	0.7	0.081
<i>including</i>		144	164	20	0.102	0.042	0.5	0.137
<b>RC-12-ARI-008</b>	300	148	300	152	0.051	0.031	0.5	0.079
<b>RC-12-ARI-009</b>	200			No Significant Values				
<b>RC-12-ARI-0010</b>	220			No Significant Values				
<b>RC-12-ARI-0011</b>	300	8	300	292	0.095	0.318	1.1	0.33
<i>including</i>		56	242	186	0.112	0.425	1.4	0.426
<b>RC-12-ARI-0012</b>	200	148	200	52	0.104	0.032	0.7	0.135
<b>RC-12-ARI-0013</b>	260	90	260	170	0.267	0.039	1.5	0.312
<i>including</i>		106	228	122	0.311	0.042	1.8	0.361
<b>RC-12-ARI-0014</b>	150	22	150	128	0.070	0.062	5.1	0.173
<i>including</i>		58	120	62	0.093	0.081	9.8	0.264

On November 28, 2013, the property was optioned to Compañía Minera Zahena S.A.C. (“Zahena”) allowing them to earn up to a 100% interest for various work commitments, cash payments and a NSR. By March 2016, the Company had received \$250,000 in cash payments from Zahena.

Exploration drilling by Zahena commenced on the Arikepay property on October 26, 2016, with a plan to drill a minimum of 3,000 metres (“m”) and possibly 5,000m by the end of 2016 to depths of 600m to 800m. In November 2016, a second drill was mobilized to the project.

By March, 2017, Zahena completed a diamond drilling program of 14 drill holes totalling 8,907.80m ranging in depth from 500m to 706m. Drilling encountered propylitic, phyllic, silicic and potassic altered volcanic and intrusive rocks. Mineralization consists dominantly of pyrite ranging from <1% to >10% in disseminations and veinlets with lesser amounts of chalcopyrite, bornite and magnetite. Details of these drill results are in table 2. Highlights include:

- 354.00m of 0.29% Cu, 0.11 g/t Au, 1.10 g/t Ag, 0.007% Mo in hole AK-DDH-10-17
- 393.00m of 0.04% Cu, 0.946 g/t Au, 1.21 g/t Ag in hole AK-DDH-02-17

- Including 81.00m of 3.052 Au, 2.041 g/t Ag
- and 18.00m of 1.087 g/t Au, 0.1 g/t Ag

The significant gold and silver mineralization intersected in drill hole AK-DDH-02-17 (81m of 3.052 g/t Au and 2.041 g/t Ag) is associated with strongly silicified and pyritized intrusive rocks near the volcanic – intrusive rock contact. Higher gold grades were also encountered in holes AH-DDH-02A-17 (60m at 1.304 g/t gold and 0.40 g/t silver), AK-DDH-07-17 (18m at 2.066 gold and 5.80 g/t silver) and RC-12-02 (26m at 1.290 g/t gold and 4.5 g/t silver). This gold-silver mineralization trends to the northwest for potentially 1,000m along the southwestern flank of the extensive, gravel covered northwest trending zone of moderately to intensely silicified and potassic altered andesitic volcanic rocks and dioritic intrusive rocks mentioned above that measures approximately 2,000m by 700m to 1,200m mentioned above.

On March 17, 2017, the Company announced that Zahena had elected to discontinue their option to earn an interest in the property as results did not meet their objectives. No further exploration will be carried out by Zahena nor any additional cash payments made to Candente. To date there has been no follow-up for the gold potential and the Company is currently considering various options to further explore this potential at Arikepay.

Table 2. Arikepay project, Perú: Diamond Drilling Results Summary							
Hole	Total Length (metres)	From (metres)	To (meters)	Width (meters)	Cu (%)	Au (g/t)	Ag (ppm)
AK-DDH-02-17	560.30	30.00	563.30	533.30	0.037	0.738	1.04
	incl	30.00	423.00	393.00	0.040	0.946	1.21
	incl	30.00	48.00	18.00	0.102	1.087	0.10
	incl	342.00	423.00	81.00	0.069	3.052	2.04
AK-DDH-02A-17	676.70	18.00	676.70	658.70	0.013	0.160	0.40
	incl	27.00	87.00	60.00	0.037	1.304	0.40
AK-DDH-03-16	600.00	27.00	600.00	573.00	0.079	0.138	1.55
	incl	27.00	57.00	30.00	0.098	0.306	4.31
	incl	159.00	222.00	63.00	0.112	0.188	3.20
	incl	330.00	396.00	66.00	0.133	0.101	1.12
	incl	429.00	495.00	66.00	0.123	0.363	1.63
AK-DDH-04-17	558.00	126.10	558.00	431.90	0.053	0.008	0.57
AK-DDH-05-16	706.50	0.00	706.50	706.50	0.038	0.023	0.58
	incl	63.00	120.00	57.00	0.072	0.065	4.06
AK-DDH-06-17	700.00	30.00	700.00	670.00	0.066	0.038	0.60
		96.00	132.00	36.00	0.107	0.128	1.20
		165.00	216.00	51.00	0.157	0.035	2.40
AK-DDH-07-17	535.30	15.50	535.30	519.80	0.004	0.124	0.65
		180.00	198.00	18.00	0.015	2.066	5.80
AK-DDH-08-16	700.00	48.00	700.00	652.00	0.073	0.042	0.76
	incl	48.00	78.00	30.00	0.112	0.029	0.10
	incl	105.00	135.00	30.00	0.096	0.076	4.74
	incl	294.00	306.00	12.00	0.125	0.072	0.65
	incl	405.00	441.00	36.00	0.141	0.064	0.78
AK-DDH-09-16	500.30	48.00	500.30	452.30	0.112	0.016	0.06
	incl	48.00	261.00	213.00	0.213	0.030	0.90
	and	72.00	165.00	93.00	0.250	0.034	0.70
	incl	321.00	348.00	27.00	0.152	0.019	1.50
AK-DDH-10-17	700.00	73.80	700.00	626.20	0.238	0.078	1.10
	incl	81.00	435.00	354.00	0.293	0.110	1.10
	incl	570.00	693.00	123.00	0.201	0.043	1.30
AK-DDH-11-17	606.00	137.35	606.00	468.65	0.073	0.169	0.70
	incl	137.35	207.00	69.65	0.132	0.552	1.10
	incl	252.00	297.00	45.00	0.146	0.138	0.90
	incl	345.00	372.00	27.00	0.105	0.098	1.00
AK-DDH-12-16	700.00	123.45	700.00	576.55	0.146	0.028	0.90
	incl	135.00	615.00	480.00	0.157	0.031	1.00
	incl	159.00	198.00	39.00	0.195	0.083	0.90
AK-DDH-16-17	700.00	105.90	700.00	594.10	0.101	0.046	0.57
	incl	114.00	267.00	153.00	0.143	0.069	0.50
	incl	465.00	579.00	114.00	0.155	0.047	1.00
AK-DDH-19-17	664.70	202.06	664.70	462.64	0.066	0.009	0.79
	incl	204.00	285.00	81.00	0.124	0.016	1.22
	incl	330.00	405.00	75.00	0.138	0.010	1.74

## 6. DIVIDENDS

The Company has not declared nor paid dividends on its common shares. There are no restrictions in the Company's articles or notice of articles that limits its ability to declare or pay dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

## 7. DESCRIPTION OF CAPITAL STRUCTURE

### GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized capital consists of an unlimited number of Common Shares without par value. All shares of the Company rank equally as to voting, and there are no special preference, conversion or redemption rights attached to any of the shares of the Company. All of the issued Common Shares are fully paid and non-assessable.

As of December 31, 2020, the end of the Company's most recent fiscal year, 247,111,768 Common Shares, 13,450,000 options to purchase Common Shares, and 14,019,385 warrants to purchase Common Shares were issued and outstanding.

As of March 31, 2021, the date of this AIF, 255,634,804 Common Shares, 13,450,000 options to purchase Common Shares and 8,427,275 warrants to purchase Common Shares were issued and outstanding.

Shareholders are entitled to one vote for each Common Share on all matters to be voted on by the shareholders. Each Common Share is equal to every other Common Share and all Common Shares participate equally on liquidation, dissolution or winding up of our Company, whether voluntary or involuntary, or any other distribution of the assets among our shareholders for the purpose of winding up our affairs after the Company has paid out its liabilities. The shareholders are entitled to receive pro rata such dividends as may be declared by the Board out of funds legally available therefore and to receive pro rata the remaining property of the Company upon dissolution. No Common Shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights, and no provisions for redemption, retraction, purchase or cancellation, surrender, sinking fund or purchase fund. Provisions as to the creation, modification, amendment or variation of such rights or such provisions are contained in the BCBCA and the articles of the Company.

### CONSTRAINTS

There are no constraints imposed on the ownership of securities of the Company to ensure that the Company has a required level of Canadian ownership.

### RATINGS

The Company has not asked for nor has it received stability or other rating from any approved rating organizations.

## 8. MARKET FOR SECURITIES

### TRADING PRICE AND VOLUME

The Common Shares are listed and posted for trading on the TSX under the symbol "DNT". The following table provides information as to the high and low prices of the Common Shares during the most recently completed financial year as well as the volume of Common Shares traded for each month on the TSX.

The following table reflects the monthly high and low trading prices, the month end closing price and the average daily volume for each month on the TSX for the Common Shares from January 1, 2020, until December 31, 2020:

Month	High (\$) (CAD)	Low (\$) (CAD)	Close (\$) (CAD)	Average Daily Volume	Total Monthly Volume
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January 2020	0.045	0.03	0.045	239,974	5,279,438
February 2020	0.05	0.035	0.035	203,920	3,874,486
March 2020	0.04	0.02	0.025	120,261	2,645,748
April 2020	0.06	0.025	0.06	61,087	1,282,828
May 2020	0.8	0.05	0.06	110,289	2,205,791
June 2020	0.07	0.06	0.07	70,354	1,547,788
July 2020	0.12	0.065	0.105	156,516	3,443,373
August 2020	0.11	0.085	0.095	78,555	1,728,215
September 2020	0.11	0.085	0.095	76,753	1,535,063
October 2020	0.095	0.08	0.08	37,988	797,747
November 2020	0.095	0.075	0.09	78,851	1,655,875
December 2020	0.19	0.8	0.155	262,037	5,502,771

The price of the Company's common shares on the TSX at the close of the business on December 31, 2020, the last trading day of 2020, was CDN\$0.155 per Common Share and on March 30, 2021, was CDN\$0.185 per Common Share.

## PRIOR SALES

As at the end of the most recently completed financial year, there were 15,615,885 common share purchase warrants with exercise prices ranging from \$0.09 to \$0.15. In addition, there were 10,590,000 stock options outstanding with exercise prices ranging from \$0.05 to \$0.11.

## 9. ESCROWED SECURITIES

As of the date of this AIF, there are no escrowed securities that were subject to a contractual restriction on transfer.

## 10. DIRECTORS AND OFFICERS

The following table sets forth certain information with respect to the current directors and executive officers of the Company as of the date of this AIF:

Name, Position and Province/State and Country of Residence (1)	Principal Occupation During the Past Five Years	Period of Service as an Officer or Director (5)	Approx. no. of voting securities beneficially owned, directly or indirectly or over which direction or control is exercised (6)
<b>Joanne C. Freeze, P.Geo.(4) President, CEO &amp; Director British Columbia, Canada</b>	Professional Geologist. President, CEO and Director of the Company. Director, President & CEO of Xali Gold Corp. (previously Candente Gold Corp) since April 2009.	Director and CEO since July 1997 President since March 2018	6,828,337
<b>Sean I. Waller, P.Eng. (4) Director British Columbia, Canada</b>	Registered Professional Engineer; Director of the Company since July 2009. Joined the Company in 2008 and was President of the Company from August 2009 until March 2018. Vice-President for Candente Gold Corp. since May 2009 until March 2018. Previously Project Manager and Vice President Business Development of AMEC Mining and Metals Division and currently consulting to WOOD (AMEC). Was President of the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") in 2014 - 2015.	Director since July 2009	3,445,092

<b>Andres J. Milla, M.A. Ec. (2) (3)</b> <b>Independent Director</b> <b>Lima, Peru</b>	Economist. Independent Director of the Company since July 2009. Formerly Director of Candente Gold and Director of Southern Legacy Minerals. Was CIO of Odebrecht Latinvest and also associate with First Capital Partners, Peru. Was a member of the Board of the Lima Stock Exchange from 2006 until March 2008 and General Manager of Credibolsa SAB.	Independent Director since July 2009	106,100
<b>Agustin Pichot, BA</b> <b>Fortescue Director</b> <b>Buenos Aires, Argentina</b>	Mr. Pichot is President of South America at Fortescue and is responsible for the development of Fortescue's mining, energy and infrastructure business across the region. Previously (in 2000) Mr. Pichot founded Pegas Group, a large South American sport media and marketing agency and also worked in asset management and global investment strategies in the financial sector in Argentina from 2015 to 2018.	Director since August 2020	Nil
<b>George Elliott, BA (Hons) LL.B (2) (3)</b> <b>Independent Director</b> <b>Ontario, Canada</b>	Lawyer. Independent Director of the Company since August 2011. Director of the Canadian National Exchange since December 2012 and Director of the following public companies: Urbana Corporation from June 2011 to present, Andor Mining Inc. from January 2011 to February 2013, Medworxx Solutions Inc. from August 2010 to present, Agean Metal Group from November 2012 to present, Esperanza Resources Corp. from September 2008 to May 2012, AuRico Gold Inc. from July 2008 to August 2011, Integrated Asset Management Corp. from January 2006 to January 2008, Augen Capital Corp from November 2006 to April 2008.	Independent Director since August 2011	206,480
<b>Giulio Bonifacio, CPA (2) (3)</b> <b>Independent Director</b> <b>British Columbia, Canada</b>	Chartered Professional Accountant, Independent Director of the Company since January 2020. Currently Chairman and Director of Copperbank. Co-founder and Director of American Bonanza Gold Corp (now Kerr Mines) from 2002 to 2012. Founder President and Director of Nevada Copper from 2005 to 2018.	Independent Director since January 2020	2,000,000
<b>Mark Lotz, CPA, CA., BBA</b> <b>CFO</b> <b>British Columbia, Canada</b>	Chartered Professional Accountant, senior executive with extensive experience in public companies, tax and consulting. Formerly a CEO and CFO in the brokerage industry, he also has senior management experience in the mining, manufacturing and digital media sectors. Was on the board and member of the audit committees of Canada Jetlines Corp., Logan Resources Ltd., Commander Resources, African Queen Mines and Sacre-Coeur Minerals. Has served as the CFO of TrackX Holdings Inc. and Prophecy Coal, among others.	CFO since October 2018	Nil

Notes:

- (1) The information as to province or state and country of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors and officers individually.
- (2) Member of Audit Committee.
- (3) Member of the Compensation and Strategy Committee.
- (4) Member of the Technical Committee.
- (5) The term of office of the directors will expire at the Company's next annual general meeting.
- (6) Securities beneficially owned by directors are based on information furnished to the Company by the directors and officers.

The Company does not currently have any board committees other than the Audit Committee, the Compensation and Strategy Committee and a Technical Committee.

As of March 31, 2021, the date of this AIF, the directors and executive officers of the Company, as a group, beneficially hold a total of 12,586,009 common shares, directly or indirectly, representing approximately 4.92% of the issued and outstanding Common Shares.

#### **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

No director or executive officer of the Company is, as at the date of this AIF, or during the ten years preceding the date of this AIF has been, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) WAS THE SUBJECT OF A CEASE TRADE ORDER OR SIMILAR ORDER OR AN ORDER THAT DENIED THE RELEVANT COMPANY ACCESS TO ANY EXEMPTION UNDER SECURITIES LEGISLATION, FOR A PERIOD OF MORE THAN 30 CONSECUTIVE DAYS; OR
- (b) WAS SUBJECT TO AN EVENT THAT RESULTED, AFTER THE DIRECTOR OR EXECUTIVE OFFICER CEASED TO BE A DIRECTOR OR EXECUTIVE OFFICER, IN THE COMPANY BEING THE SUBJECT OF A CEASE TRADE OR SIMILAR ORDER OR AN ORDER THAT DENIED THE RELEVANT COMPANY ACCESS TO ANY EXEMPTION UNDER SECURITIES LEGISLATION, FOR A PERIOD OF MORE THAN 30 CONSECUTIVE DAYS.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) IS, AS AT THE DATE OF THIS AIF, OR DURING THE TEN YEARS PRECEDING THE DATE OF THIS AIF HAS BEEN, A DIRECTOR OR EXECUTIVE OFFICER OF ANY COMPANY THAT, WHILE THAT PERSON WAS ACTING IN THAT CAPACITY, OR WITHIN A YEAR OF THAT PERSON CEASING TO ACT IN THAT CAPACITY, BECAME BANKRUPT, MADE A PROPOSAL UNDER ANY LEGISLATION RELATING TO BANKRUPTCY OR INSOLVENCY OR WAS SUBJECT TO OR INSTITUTED ANY PROCEEDINGS, ARRANGEMENT OR COMPROMISE WITH CREDITORS OR HAD A RECEIVER, RECEIVER MANAGER OR TRUSTEE APPOINTED TO HOLD ITS ASSETS; OR
- (b) HAS, WITHIN THE TEN YEARS BEFORE THE DATE OF THIS AIF, BECOME BANKRUPT, MADE A PROPOSAL UNDER ANY LEGISLATION RELATING TO BANKRUPTCY OR INSOLVENCY, OR BEEN SUBJECT TO OR INSTITUTED ANY PROCEEDINGS, ARRANGEMENT OR COMPROMISE WITH CREDITORS, OR HAD A RECEIVER, RECEIVER MANAGER OR TRUSTEE APPOINTED TO HOLD THE ASSETS OF THAT PERSON.

No director, executive officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is or has:

- (a) BEEN THE SUBJECT OF ANY PENALTIES OR SANCTIONS IMPOSED BY A COURT RELATING TO SECURITIES LEGISLATION OR BY A SECURITIES REGULATORY AUTHORITY OR HAS ENTERED INTO A SETTLEMENT AGREEMENT WITH A SECURITIES REGULATORY AUTHORITY; OR
- (b) BEEN SUBJECT TO ANY OTHER PENALTIES OR SANCTIONS IMPOSED BY A COURT OR REGULATORY BODY THAT WOULD LIKELY BE CONSIDERED IMPORTANT TO A REASONABLE INVESTOR MAKING AN INVESTMENT DECISION.

#### **CONFLICTS OF INTEREST**

To the best knowledge of the Company, and other than as disclosed herein, there are no known existing or potential material conflicts of interest between the Company and a proposed director, officer or promoter of the Company except that certain of the proposed directors, officers and promoters of the Company serve as directors, officers and promoters of other companies and therefore it is possible that a conflict may arise between their duties as a director, officer or promoter of the Company and their duties as a director, officer and promoter of such other companies.

Certain of the directors and officers of the Company may be or become associated with other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors, officers and promoters of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflict of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the BCBCA, as applicable, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligation imposed upon them by law.

## **12. LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

There are no pending, and the Company knows of no, contemplated legal proceedings, to which our Company is a party or of which any of our properties is the subject.

There are no penalties or sanctions that have been imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the Company's most recently completed financial year, nor any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision. The Company has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority during the Company's most recently completed financial year.

## **13. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as set out herein, no director, executive officer or person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class or series of the Company's outstanding voting securities, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the most recently completed financial year that has materially affected or is reasonably expected to materially affect the Company.

## **14. TRANSFER AGENTS AND REGISTRARS**

The Company's transfer agent and registrar is Computershare Trust Company of Canada. Transfers may be effected at and registration facilities are maintained at:

- (a) IN BRITISH COLUMBIA, 3RD FLOOR, 510 BURNARD STREET, VANCOUVER, BRITISH COLUMBIA, V6C 3B9; AND
- (b) IN ONTARIO, 100 UNIVERSITY AVENUE, 8TH FLOOR, TORONTO, ONTARIO M5J 2Y1.

## **15. MATERIAL CONTRACTS**

### *Amec Foster Wheeler Peru S.A. agreement*

On August 2, 2018, the Company was advised that Amec Foster Wheeler Peru S.A. ("AMEC") had filed a request for recognition of debt with the Peruvian authority INDECOPI. AMEC registered a debt of US\$883,596 owed to them by Cañariaco Copper Peru S.A. ("Cañariaco"). In October 2018, The Company entered into an agreement with AMEC for the settlement of the trade liability. Pursuant to the agreement, in February 2019 the Company issued 2,638,771 common shares of the Company and agreed to make payments totalling US\$525,000. As of the date of this report, the Company has paid US\$525,000 and there is no remaining debt to AMEC (now WOOD plc).

### *CN Minería y Construcción agreement*

In August 2018, the Company agreed to amend the terms of the payments due under the receivable for sale of a subsidiary as disclosed in Note 4 of the financial statements. As of the date of this report the Company has received in total US\$728,000 and there is US\$32,332.65 owing, however the Company's confidence in their ability to receive the final amount is not high.

## 16. INTEREST OF EXPERTS

### NAMES OF EXPERTS

The following persons, firms and companies are named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under NI 51-102 by the Company during, or relating to, the Company's most recently completed financial year and whose profession or business gives authority to the report, valuation, statement or opinion made by the person, firm or company.

- (a) DAVIDSON & COMPANY LLP CHARTERED PROFESSIONAL ACCOUNTANTS ("DAVIDSON"), 1200-609 GRANVILLE ST, VANCOUVER, BC V7Y 1G6 ARE THE INDEPENDENT AUDITORS FOR THE COMPANY. DAVIDSON IS INDEPENDENT FROM THE COMPANY IN ACCORDANCE WITH THE RULES OF PROFESSIONAL CONDUCT OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BRITISH COLUMBIA;
- (b) EACH OF DAVID G. THOMAS, P.GEO., JAY MELNYK, P.ENG., IGNACY (TONY) LIPIEC, P.ENG. AND ALEXANDRA J. KOZAK, P.ENG. (DECEASED) OF AMEC AMERICAS LIMITED, IS RESPONSIBLE FOR THE PREPARATION OF ONE OR MORE SECTIONS OF THE JANUARY 2011 PRE-FEASIBILITY STUDY PROGRESS REPORT. EACH OF THEM IS AN INDEPENDENT "QUALIFIED PERSON" FOR THE PURPOSES OF NI 43-101 AND NONE OF THEM HOLDS MORE THAN 1% OF THE COMMON SHARES; AND
- (c) EACH OF JOANNE C. FREEZE, P.GEO. AND SEAN I. WALLER, P.ENG. OF THE COMPANY IS RESPONSIBLE FOR THE PREPARATION OF CERTAIN TECHNICAL INFORMATION IN THE COMPANY'S NEWS RELEASES AND OTHER DISCLOSURE DOCUMENTS. EACH OF THEM IS A "QUALIFIED PERSON" FOR THE PURPOSES OF NI 43-101 BUT NOT INDEPENDENT AS EACH IS A DIRECTOR AND/OR OFFICER OF THE COMPANY. AS OF THE DATE OF THIS AIF:
  - (i) MS. FREEZE HOLDS, DIRECTLY OR INDIRECTLY, 6,828,337 COMMON SHARES, 2,700,000 STOCK OPTIONS AND NO WARRANTS OF THE COMPANY;
  - (ii) MR. WALLER HOLDS, DIRECTLY OR INDIRECTLY, 3,445,092 COMMON SHARES AND 1,300,000 STOCK OPTIONS AND NO WARRANTS OF THE COMPANY; AND

## 17. ADDITIONAL INFORMATION

Under National Instrument 52-110 *Audit Committees*, companies that are required to file an AIF are required to provide certain disclosure with respect to their Audit Committee, including the text of the Audit Committee's charter, the composition of the Audit Committee and the fees paid to the external auditor. This information with respect to Candente Copper is provided in Schedule "A".

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's information circular in respect of its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is available in Company's comparative audited consolidated financial statements, together with the auditor's report thereon, and the related Management Discussion and Analysis for its most recently completed fiscal year.

A copy of this AIF, the Company's information circular for its most recent annual meeting, the financial statements of the Company (including any interim statements from the past fiscal year) and Management Discussion and Analysis for the year ended December 31, 2020, and the subsequently completed interim periods in the past fiscal year may be found on the SEDAR website at [www.sedar.com](http://www.sedar.com) or be obtained upon request from the Corporate Secretary of the Company. A reasonable fee for copying may be charged if the request is made by a person who is not a registered security holder of the Company.

## **SCHEDULE "A"**

### **AUDIT COMMITTEE INFORMATION**

#### **Audit Committee Charter**

The following is the text of the current charter for Candente Copper's Audit Committee:

#### **I. MANDATE**

The Audit Committee is elected by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- A. Oversee the process of selecting and appointing an auditor.
- B. Oversee the conduct of the audit.
- C. Identify and monitor the management of the principal risks that could impact the financial reporting of the Company.
- D. Monitor the integrity of the Company's financial reporting process and system of internal controls regarding financial reporting and accounting compliance.
- E. Ensure the independence of the Company's auditor in accordance with applicable standards and monitor his performance.
- F. Provide an avenue of communication among the Company's auditors, management and the Board of Directors.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and it has direct access to the Company's auditors and anyone in the Company that it deems necessary. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties.

#### **II. COMPOSITION AND QUORUM**

- A. The Audit Committee shall consist of a minimum of three independent directors and shall be elected at the first meeting of the Board after any Annual General Meeting.
- B. The Chair of the Audit Committee shall be elected by the Audit Committee from among their number and shall be financially literate.
- C. The members of the Audit Committee other than the Chair shall also be financially literate, subject to the exception that the Board of Directors may appoint to the Audit Committee any independent director who is not financially literate on the condition that such director become financially literate within a reasonable amount of time following his or her appointment to the Audit Committee and provided that the Board of Directors at the time of such appointment determine in writing (as evidenced by the Board's consent resolution or minutes of the Board meeting appointing such director to the Audit Committee) that the reliance on such exception from the requirement that all members of the Audit Committee be financially literate will not materially adversely affect the ability of the Audit Committee to satisfy the requirements of applicable corporate and securities laws pertaining to audit committees, including Multilateral Instrument 52-110.
- D. A quorum for the transaction of business at all meetings of the Audit Committee shall be a majority of members.

### **III. DUTIES OF THE CHAIR OF THE AUDIT COMMITTEE**

- A. Lead the Audit Committee in the performance of its duties and carrying out its responsibilities within the Terms of Reference established by the Board.
- B. Report to the Board of Directors on the outcome of the deliberations of the Audit Committee and periodically report to the Board of Directors on the activities of the Audit Committee.
- C. Meet regularly and as required with the Chief Financial Officer of the Company and other members of management to review material issues and to ensure that the Audit Committee and the Board are provided in a timely manner with all information necessary to permit the Board to fulfill its statutory and other obligations.

### **IV. TERMS OF REFERENCE**

- A. The Audit Committee must recommend to the Board of Directors:
  - (a) the auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and
  - (b) the compensation of the auditor.
- B. The Audit Committee must determine the scope and terms of reference of the audit engagement and the process by which and the terms under which the auditor formally reports to the Company.
- C. The Audit Committee is directly responsible for overseeing the work of the Company's auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the Company's auditor regarding financial reporting.
- D. The Audit Committee must pre-approve all non-audit services to be provided to the Company or any subsidiary of the Company by the Company's auditor.
- E. The Audit Committee must determine that the audit fees charged by the auditor with respect to the audit are, in the opinion of the Audit Committee, appropriate in relation to the work required to support an audit opinion, without regard to fees that are paid, payable or might be paid to the auditor for other services.
- F. The Audit Committee must review the Company's financial statements, MD&A and annual and interim earnings press releases before the Company publicly discloses this information.
- G. The Audit Committee shall prepare annually a report to the shareholders describing the steps it has taken to ensure that the auditor is independent of the Company, including:
  - (a) the policies and procedures followed so that any contracts for non-audit services with the auditor do not compromise the auditor's independence; and
  - (b) the nature of any non-audit service contracts with the auditor and the amount of the related fees.
- H. The Audit Committee must be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived it from the Company's financial statements, other than the public disclosure referred to in paragraph E above, and must periodically assess the adequacy of those procedures.
- I. The Audit Committee will review all post-audit or management letters containing the recommendations of the Company's auditor and management's response/follow-ups in respect of any identified weakness.



- J. The Audit Committee will have the right, for the purpose of performing its duties, to inspect all of the books and records of the Company and its affiliates and to discuss such accounts and records and any matters relating to the financial position or condition of the Company with the officers and auditors of the Company and its affiliates.
- K. The Audit Committee must establish procedures for:
- (a) The receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
  - (b) Confidential, anonymous submissions by employees of the Company of concerns regarding questionable accounting or auditing matters.
- L. The Audit Committee must establish and monitor compliance with the Company's policies regarding:
- (a) The auditor's provision of services beyond the scope of the Company's audit; and
  - (b) The Company's hiring of partners, employees and former partners and employees of the present and former external auditor of the Company to fill senior officer positions of the Company.
- M. The Audit Committee will have such other duties, power and authorities, consistent with applicable corporate and securities laws, as the Board may, by resolution, delegate to the Audit Committee from time to time.

## **V. REGULATIONS**

The following regulations shall apply to the proceedings of the Audit Committee:

- A. The Audit Committee shall meet on such dates as the Chair of the Audit Committee determines. Notice of any meeting shall be given by letter, telecopy, email or other means of recorded electronic communication or by telephone not less than 24 hours before the time fixed for the meeting. Members may waive in writing notice of any meeting before or after the holding thereof.
- B. The business of the Audit Committee shall be transacted either at meetings thereof or by conference telephone or other communications facilities that permit all persons participating in the meeting to hear each other, or by resolution in writing. All questions at a meeting shall be decided in accordance with the vote of a majority of those present and the Chair of the meeting shall not have a second or casting vote.
- C. A resolution in writing signed by all members of the Audit Committee entitled to vote on that resolution at a meeting of the Audit Committee shall be as valid as if it has been passed at a duly called and constituted meeting. Such resolutions in writing may be in one or more counterparts, all of which, when taken together, shall be deemed to constitute one resolution.
- D. The auditor of the Company shall, at the expense of the Company, be entitled to attend and be heard at any meeting of the Audit Committee.
- E. The Audit Committee shall meet with the auditor regularly at a frequency that is reasonable in the circumstances and when otherwise reasonably necessary, without management present, to determine whether there are any disagreements between the auditor and management relating to the Company's financial disclosure and, if so, whether those issues have been resolved to the auditor's satisfaction.
- F. The auditor and senior management of the Company shall have the opportunity to meet separately with the Audit Committee.
- G. The minutes of the proceedings of the Audit Committee and any resolutions in writing shall be kept in a book provided for that purpose which shall always be open for inspection by any director of the Company.

- H. The Audit Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay the compensation for any such advisors.
- I. Subject to the foregoing, the calling, holding and procedure at meetings of the Audit Committee shall be determined from time to time by the Audit Committee.

### Composition of the Audit Committee

As at the end of Candente Copper's most recently completed financial year, its Audit Committee was made up of the following directors:

Name	Independent	Status
Andres J. Milla, Chair of Audit Committee	Independent	Financially Literate
George Elliott	Independent	Financially Literate
Giulio Bonifacio	Independent	Financially Literate

### Relevant Education and Experience

The experience and education of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee is as follows:

**Andres J. Milla.** Mr. Milla has a Masters in Economics from Boston University and 15 years of experience in investment banking and capital market transactions. Former CIO of Odebrecht Latinvest, was formerly an Associate with First Capital Partners, Peru since 2008. He was a member of the Board of the Lima Stock Exchange from 2006 until March 2008 and general manager of Credibolsa SAB, main broker agent of the Peruvian stock market from 2006 to August 2008. Also, Capital Markets Project Manager in the Finance Area of Banco de Crédito del Perú from 2000 to 2005. Prior to this, he was a member of the Cabinet of Advisors of the Ministry of Economy and Finance of Peru and Head of Fixed Income of the Analysis Department of the Capital Market Division of Banco de Crédito. Throughout his career, Mr. Milla has participated in several prominent corporate finance operations in Peru, worth in excess of \$2 billion.

**George Elliott.** Mr. Elliott has over 35 years of experience in legal affairs and corporate finance throughout a variety of industries. As an advisor to the AuRico Gold Board of Directors, Mr. Elliott was instrumental in the reorganization the Board of Directors of Gammon Gold including the name change to AuRico previously this year. Prior to 2000, Mr. Elliott was Senior Counsel at the law firm Gowling Lafleur Henderson LLP. Since 2000 Mr. Elliott has held the roles of Chairman and CEO for Titanium Corporation Inc., Executive Vice President of MCAP Financial, which manages over \$20 billion in mortgage investments for Canadian financial institutions, CEO of Augen Capital, and Chair of the Executive Committee of the PLM Group - Canada's fourth largest commercial printer, which was acquired by Transcontinental Printing for 250% of their market value. Mr. Elliott is currently Chairman, CEO, and Director of Andor Mining, Director of Esperanza Resources Corp., Medworxx Solutions Inc., and Urbana Corporation and the Canadian Securities Exchange.

**Giulio Bonifacio.** Mr. Bonifacio is a Chartered Professional Accountant with extensive experience and knowledge of operations, capital markets, project finance, mergers and acquisitions. Over his 30 years of experience in senior executive roles in the mining industry, Bonifacio has raised directly over \$700 million in capital through equity and project debt financings for projects of merit as well as being involved in corporate transactions aggregating in excess of US\$1 billion. Mr. Bonifacio was the Co-Founder and Director of American Bonanza Gold Corp. (now Kerr Mines) from 2002 – 2012 during the initial development and advancement of the Copperstone Project into a high grade underground mining opportunity. Recently 2019 stepped back in as CEO and Director of Kerr Mines,

Mr. Bonifacio was the Founder, President and Director of Nevada Copper since its inception in 2005 until his retirement in February 2018. Over the 13-year period, he led and directed efforts at every stage of the Company's efforts which included resource expansion, feasibility studies and the successful permitting of both the underground and open pit deposits at the Company's Pumpkin Hollow project located in Nevada. Additionally, Mr. Bonifacio led efforts toward the completion of production-sized headframe, hoist and 1,900-foot-deep, 24-foot diameter concreted lined production sized shaft, all of which will lead to a shortened construction period at Pumpkin Hollow. Mr. Bonifacio was also integral to Nevada Copper attaining a significant refinancing package in December 2017, which now currently positions the Pumpkin Hollow project to progress into commercial production by early 2020. Currently Chairman and Director of CopperBank and Chai of the Board and Independent Director of Candente Copper Corp.

### **Reliance on Certain Exemptions**

At no time since January 1, 2020, being the commencement of Candente Copper's most recently completed financial year, has the Company relied on the exemptions of the following sections of National Instrument 52-110 *Audit Committees* ("NI 52-110"):

- (a) Section 2.4 (De Minimis Non-audit Services);
- (b) Section 3.2 (Initial Public Offerings);
- (c) Section 3.3(2) (Controlled Companies);
- (d) Section 3.4 (Events Outside Control of Member);
- (e) Section 3.5 (Death, Disability or Resignation of Audit Committee Member);
- (f) Section 3.6 (Temporary Exemption for Limited and Exceptional Circumstances);
- (g) Section 3.8 (Acquisition of Financial Literacy); or
- (h) an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

### **Audit Committee Oversight**

At no time since January 1, 2020, being the commencement of Candente Copper's most recently completed financial year, was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described under the heading "Terms of Reference" of the Audit Committee Charter set out above in this Schedule "A".

### **External Auditor Service Fees (By Category)**

The table below sets out all fees billed by our external auditor in each of the last two fiscal years. In the table "Audit Fees" are fees billed by our external auditor for services provided in auditing our financial statements for the fiscal year. "Audit-Related Fees" are fees not included in Audit Fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements. "Tax Fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. "All Other Fees" are fees billed by the auditor for products and services not included in the foregoing categories.

<b>Financial Year Ending</b>	<b>Audit Fees</b>	<b>Audit-Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
December 31, 2020*	\$22,000	Nil	\$3,250	Nil
December 31, 2019	\$22,000	Nil	\$3,250	Nil

\*Fees for 2020 are estimated fees only.