Candente Copper Corp.
Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
Expressed in United States Dollars, Unless Otherwise Stated

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Candente Copper Corp.

Opinion

We have audited the accompanying consolidated financial statements of Candente Copper Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and the consolidated statements of loss and comprehensive loss, consolidated statement of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Candente Copper Corp. as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describe the events and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Basis for Opinion

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

Key Audit Matter

The key audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the key audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the key audit matter below providing a separate opinion on the key audit matter or on the accounts or disclosures to which it relates.

Impairment of Exploration and Evaluation Assets

Description of the Matter

We identified the impairment assessment of exploration and evaluation assets as a key audit matter due to significant auditor and management judgement and estimation involved in determining the recoverable production. As disclosed in Note 6 to the consolidated financial statements, the carrying value of the Company's exploration and evaluation assets were approximately $66 million as at December 31, 2022. As discussed in Note 3 to the consolidated financial statements, the carrying value of exploration and evaluation assets is reviewed each reporting period to determine whether there is any indication of impairment or reversal of impairment.

Audit Response

Our primary procedures to address this key audit matter include, i) testing of assumptions and facts in management's impairment indicators memo in accordance with IFRS 6; ii) walkthrough of implementation of certain internal controls related to the Company's process to assess indicators of impairment; and iii) assessing the competence, capabilities and objectivity of the Company's personnel involved in preparing the impairment assessment.

Other Information

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

Other Information (continued)

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Kreston GTA LLP

Chartered Professional Accountants
Markham, Canada
March 20, 2023

Candente Copper Corp.

Consolidated Statements of Financial Position
Years Ended December 31, 2022 and 2021
(Expressed in United States Dollars)

	As at December 31, 2022	As at December 31, 2021
ASSETS		
Current assets		
Cash	**$ 341,115**	$ 170,218
Prepaid expenses and deposits	**88,256**	28,159
Total current assets	**429,371**	198,377
Non-current assets		
Receivables	**42,180**	55,076
Investment (note 4)	**327,000**	502,215
Right-of-use assets (note 5)	**40,142**	58,971
Advances towards Canadian projects (note 6)	**85,119**	40,443
Exploration and evaluation assets (note 6)	**65,982,245**	65,085,912
Equipment (note 7)	**13,505**	55,855
Total assets	**$ 66,919,562**	$ 65,996,849
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (notes 8,12)	**$ 688,748**	$ 484,724
Loans payable (note 9)	**1,527,977**	-
Lease liability (note 5)	**14,882**	14,535
Total current liabilities	**2,231,607**	499,259
Non-current liabilities		
Loans payable (note 9)	**29,532**	31,552
Lease liability (note 5)	**31,345**	49,389
Total liabilities	**2,292,484**	580,200
Equity		
Share capital (note 10)	**89,128,989**	88,482,043
Reserves (note 10)	**15,359,962**	14,084,690
Accumulated deficit	**(39,861,873)**	(37,150,084)
Total equity	**64,627,078**	65,416,649
Total liabilities and equity	**$ 66,919,562**	$ 65,996,849

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

Nature of operations and going concern (note 1)
Commitments and contingencies (note 11)
Subsequent events (note 17)

Approved on behalf of the Board:

(Signed) "Steven Latimer" Director

(Signed) "Giulio T. Bonifacio" Director

Candente Copper Corp.

Consolidated Statements of Loss and Comprehensive Loss
Years Ended December 31, 2022 and 2021
(Expressed in United States Dollars)

	Year Ended December 31, 2022	Year Ended December 31, 2021
Expenses		
General and administrative expenses (note 13)	$ **967,776**	$ 747,855
Other expenses		
Share-based compensation	**1,610,431**	329,571
Loss on settlement of debt	**48,374**	-
Loss on foreign exchange	**27,136**	92,575
Interest expense	**58,072**	5,912
Loss before income tax	**2,711,789**	1,175,913
Income tax (note 16)	**-**	-
Net loss	**2,711,789**	1,175,913
Other comprehensive loss / (income)		
Change in fair value of investment (note 4)	**207,368**	(268,803)
Exchange difference on translation to presentation currency	**(101,410)**	(157,627)
	$ **105,958**	$ (426,430)
Total comprehensive loss	$ **2,817,747**	$ 749,483
Loss per share attributable to shareholders		
Basic and diluted	$ **(0.01)**	$ (0.00)
Weighted average number of common shares		
Outstanding: basic and diluted	**270,130,292**	258,462,463

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

Candente Copper Corp.

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(Expressed in United States Dollars)

	Year Ended December 31, 2022	Year Ended December 31, 2021
Operating activities		
Net loss for the period	$ **(2,711,789)**	$ (1,175,913)
Adjustments for:		
Amortisation	**15,683**	33,149
Share-based payments – stock options	**1,196,077**	298,395
Share-based payments – deferred share units	**187,119**	124,716
Share-based payments – restricted share units	**227,235**	31,176
Loss on settlement of debt	**48,374**	-
Interest expense	**58,072**	5,740
Unrealised foreign exchange differences	**27,136**	170,318
Changes in non-cash working capital items:		
Accounts receivables	**12,896**	(17,600)
Prepaid expenses and other receivables	**(60,097)**	(14,953)
Accounts payable and accrued liabilities	**257,210**	(446,520)
Net cash provided by (used) in operating activities	**$ (742,084)**	(991,492)
Investing activities		
Addition to exploration and evaluation assets	**(770,365)**	(728,924)
Advance payment – Canyon Creek	**(44,676)**	(40,443)
Purchase of equipment	-	(2,980)
Change in value added taxes paid	**(79,400)**	(1,603)
Net cash used in investing activities	**$ (894,441)**	**$ ($773,950)**
Financing activities		
Issuance of common shares for cash, net of issuance costs	-	865,895
Issuance of common shares for exercise of options	**303,406**	73,760
Issuance of common shares for exercise of warrants	-	503,861
Loans payable	**1,522,654**	-
Principle repayments on lease liability	**(18,638)**	(18,483)
Net cash provided by financing activities	**$ 1,807,422**	**$ 1,425,033**
Net increase/(decrease) in cash	**170,897**	(340,409)
Cash, beginning of period	**170,218**	510,627
Cash, end of period	**$ 341,115**	$ 170,218

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

Candente Copper Corp.
Consolidated Statements of Changes in Equity
Years Ended December 31, 2022 and 2021
(Expressed in United States Dollars)

			Reserves					
	Number of Shares	**Share Capital**	**Equity settled employee compensation and warrants**	**Contributed surplus**	**Foreign currency**	**Available for sale assets**	**Deficit**	**Total**
Balance, January 1, 2021	**247,111,768**	**$ 86,774,635**	**$ 13,864,518**	**$ -**	**$ (562,631)**	**$ 153,860**	**$ (35,974,171)**	**$ 64,256,211**
Common shares issued for financing	8,800,000	872,462	-	-	-	-	-	872,462
Share issuance costs	-	(6,567)	-	-	-	-	-	(6,567)
Share based payments - stock options	-	-	298,395	-	-	-	-	298,395
Share based payments - deferred share units	-	-	124,716	-	-	-	-	124,716
Share based payments - restricted share units	-	-	31,176	-	-	-	-	31,176
Expiration of warrants	-	-	(45,346)	45,346	-	-	-	-
Shares issued upon exercising options	1,650,000	121,900	(48,140)	-	-	-	-	73,760
Shares issued upon exercising warrants	5,592,110	525,230	(21,369)	-	-	-	-	503,861
Shares issued upon settlement of RSU	3,288,069	182,265	(182,265)	-	-	-	-	-
Common shares issued for property	100,000	12,118	-	-	-	-	-	12,118
Change in fair value of investment	-	-	-	-	-	268,803	-	268,803
Cumulative translation adjustment	-	-	-	-	157,627	-	-	157,627
Net loss	-	-	-	-	-	-	(1,175,913)	(1,175,913)
Balance, December 31, 2021	**266,541,947**	**$ 88,482,043**	**$ 14,021,685**	**$ 45,346**	**$ (405,004)**	**$ 422,663**	**$ (37,150,084)**	**$ 65,416,649**
Share based payments - stock options	-	-	1,196,077	-	-	-	-	1,196,077
Share based payments - deferred share units	-	-	187,119	-	-	-	-	187,119
Share based payments - restricted share units	-	-	227,235	-	-	-	-	227,235
Shares issued upon exercising options	5,230,000	495,917	(192,511)	-	-	-	-	303,406
Shares issued upon exercising RSU	714,286	36,690	(36,690)	-	-	-	-	-
Shares issued to settle debts	568,213	102,945	-	-	-	-	-	102,945
Shares issued for property	100,000	11,394	-	-	-	-	-	11,394
Change in fair value of investment	-	-	-	-	-	(207,368)	-	(207,368)
Cumulative translation adjustment	-	-	-	-	101,410	-	-	101,410
Net loss	-	-	-	-	-	-	(2,711,789)	(2,711,789)
Balance, December 31, 2022	**273,154,446**	**$ 89,128,989**	**$ 15,402,915**	**$ 45,346**	**$ (303,594)**	**$ 215,295**	**$ (39,861,873)**	**$ 64,627,078**

The accompanying notes to the consolidated financial statements are an integral part of these statement

1. Nature of operations and going concern

Candente Copper Corp. and its subsidiaries (the "Company") are engaged in the exploration of its mining properties located in Peru. Its principal property is the Cañariaco Copper Project in the District of Lambayeque. The Company was incorporated on May 1, 1997 under the Business Corporation Act of British Columbia and its principal office is located at Suite 801-1112 West Pender Street, Vancouver British Columbia, V6E 2S1.

The principal subsidiaries of the Company are as follows:

	Interest held as at December, 31		
Subsidiary name	**2022**	**2021**	**Functional currency**
Cañariaco Copper Peru S.A. ("Cañariaco")	100%	100%	US Dollars
Cañariaco Copper (BVI) Corp.	100%	100%	US Dollars
Inversiones Mineras Las Palmas S.A.	100%	100%	US Dollars
Cobriza Metals Corp.	100%	100%	CDN Dollars
Candente Resource (BVI) Corp.	100%	100%	US Dollars
Cobriza Metals Peru S.A.	100%	100%	US Dollars

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

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. For year ended December 31, 2022, the Company incurred a net loss of $2,711,789. As at December 31, 2022, the Company had $39,861,873 in cumulative losses since inception and an excess of current liabilities over current assets of $1,802,236 (December, 31, 2021 excess of $300,882).

The Company does not generate cash flows from operations and accordingly, the Company will need to raise additional funds. The Company can consider raising additional funds by way of the issuance of securities, sale of a project royalty interest, project streaming arrangement, project joint venture and divestiture of non-core assets. Although, the Company has been successful in raising funds in the past there can be no assurance that the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. The Company is subject to sovereign risk, including political and economic instability, changes in existing government regulations relating to mining, as well as currency fluctuations and local inflation. These factors are material uncertainties that may cast significant doubt regarding the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statement of financial position.

2. Statement of compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and are presented in United States dollars.

These consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on March 15, 2023.

3. Significant accounting policies

a. Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the key estimates and judgments applied by management that most significantly affect the Company's consolidated financial statements. These estimates and judgments have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i. Exploration and evaluation assets mineral right interests and impairment

Exploration and evaluation assets include the cost of acquiring licenses, exploration and analysis, project administration, drilling, community and social values and environmental health and safety. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist, the rights of tenure are current, and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the right. Management is required to exercise significant judgment in determining the timing of the determination of the technical feasibility and commercial viability of the mineral resource. The Company considers both external and internal sources of information in assessing whether there are any indicators that mineral properties are impaired.

ii. Going concern

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

iii. Valuation of share-based payments and warrants

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

iv. Functional currencies of different subsidiaries of the Company

Different subsidiaries of the Company have different functional currencies, based on the underlying economic conditions of their operations. This determination, of what the specific underlying economic conditions are, requires judgement. In making this judgement, the Company evaluates among other factors, the location of activities, the currency of main expenditure, sources of financing, risks associated with activities and denomination of currencies of operations of different entities. Specifically, in determination of the functional currencies of Peruvian subsidiaries, the Company based its judgement on the fact that the majority of their operations are denominated in US Dollars and also, it is the currency in which their business risks and exposures are managed, and the performance of their business is measured.

b. Basis of consolidation

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

c. Foreign currency translation

The Company has selected the US dollar ("$") as the presentation currency. The US Dollar has been selected as the presentation currency for the Group as (a) the management of the Company manages business risks and exposures, and measures the performance of its businesses in the US Dollar; (b) the US Dollar is widely used as a presentation currency of companies primarily in same industry; and (c) the US Dollar is the most convenient presentation currency for non-Canada users of these Consolidated financial statements.

The functional currency of subsidiaries is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the period end exchange rates. Non-monetary items are measured using historical cost in a foreign currency and are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the Company is the Canadian dollar ("Cdn"). Items in the statement of loss are translated using weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Items in the statement of financial position are translated at the closing spot exchange rate. Exchange differences on the translation of the net assets of the parent company are recognized in a separate component of equity.

d. Exploration and evaluation assets

The Company capitalizes all costs, net of any recoveries, of acquiring, exploring and evaluating mineral right interest, until the right to which they relate is placed into production, at which time these deferred costs will be amortized over the estimated useful life of the right upon commissioning the property, or written-off if the right is disposed of, impaired or abandoned.

Management reviews the carrying amounts of mineral rights annually or when there are indicators of impairment and will recognize impairment based upon current exploration results and upon assessment of the probability of profitable exploitation of the rights.

An indication of impairment includes but is not limited to expiration of the right to explore, absence of planned or budgeted substantive expenditure in the specific area, and the decision to discontinue exploration activity in a specific area.

e. Equipment

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

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

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

Asset class	Declining balance rates
Equipment	20% to 30%
Vehicles	30%

Leasehold improvements are recorded at cost net of recoveries and amortized on a straight-line basis over the term of the lease agreement.

f. Cash

Cash in the statement of financial position is comprised of cash at banks and on hand.

g. Financial instruments

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

i) Classification

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

The Company classifies its cash at FVTPL, investment at FVOCI and receivables, trade payables and lease liability at amortized cost.

ii) Measurement

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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

Debt investments at FVOCI

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

Equity investments at FVOCI

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

iii) Impairment of financial assets at amortized cost

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

iv) Derecognition

Financial assets

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

Financial liabilities

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

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

h. Income taxes

Current taxation

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

Deferred taxation

Deferred tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Additional income taxes that arise from the distribution of dividends are recognized at the same time that the liability to pay the related dividend is recognized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

i. Share-based payments

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

In situations where equity instruments are issued for goods or services provided by non-employees, the share-based payment is measured at the fair value of the goods and services received. Where the consideration cannot be specifically identified, the transaction is measured at the fair value of the equity instruments.

The costs of equity-settled transactions with employees are measured by reference to the fair value of the equity instrument on the grant date.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense, recognized for equity-settled transactions at each reporting date until the vesting date, reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

j. Deferred share units

The Company has established a deferred share plan under which deferred share units are granted to non-executive directors of the Company as part of long-term incentive compensation. Deferred share units are classified as equity settled share-based payment transactions as the participants will receive either common shares of the Company or payment of cash, or any combination of the foregoing, as determined by the Company in its sole discretion, following a redemption event. As such, the Company recognizes the expense based on the quoted market price of the Company's common shares at the grant date and a corresponding increase in equity for the eventual redemption when the DSUs are issued.

k. Restricted share units

The Company has established a restricted share plan under which restricted share units are granted to eligible directors, employees and contractors of the Company. The restricted share units are considered equity-settled and are measured using the quoted market price of the Company's common shares at the grant date and recognized as share-based compensation over the vesting period, with a corresponding amount recognized as equity.

l. Provisions

Provisions (including those for environmental restoration and restructuring costs) are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures that are expected to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Rehabilitation and environmental costs

An obligation to incur rehabilitation and environmental costs occurs when an environmental disturbance is caused through the Company's work at its exploration and evaluation assets. Costs are estimated on the basis of a formal closure plan and are subject to regular review. As of December 31, 2022, the Company has recognized a provision of $Nil (December 31, 2021: $Nil).

m. Impairment

Impairment of non-financial assets

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

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

n. Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units.

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

o. Loss per share

Basic earnings (loss) per share is calculated by dividing the earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted earnings (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

The Company has incurred losses since its inception and, therefore, basic loss per share has been equal to fully diluted loss per share as these impacts would be anti-dilutive.

p. Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

q. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

r. New and revised standards and interpretations

The following accounting standards and amendments are effective for future periods.

<u>Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)</u>

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

These amendments are effective for reporting periods beginning on or after January 1, 2022.

<u>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</u>

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

4. Investment

As at December 31, 2022, the Company held 5,536,373 (December 31, 2021 - 5,536,373) shares of Xali Gold Corp. ("Xali Gold"), a company with common officers and directors. The closing share price was Cdn$0.080 (December 31, 2021 - Cdn$0.115) and the fair value of the Company's investment in Xali Gold is $327,000 (December 31, 2021 - $502,215). During the year ended December 31, 2022, the Company recognized an unrealized loss on investments of $207,368, (2021, gain - $268,803) that was included in other comprehensive loss.

(Expressed in United States Dollars, Unless Otherwise Stated)

5. Right-of-use asset and lease liability

The right-of-use asset consists of a lease for office space.

Balance, January 1, 2021	**$**	**74,731**
Depreciation		(16,271)
Foreign exchange movements		511
Balance, December 31, 2021	**$**	**58,971**
Depreciation		(15,683)
Foreign exchange movements		(3,146)
Balance, December 31, 2022	**$**	**40,142**

The lease liability was measured at the present value of the remaining lease payments and discounted using the Company's estimated incremental borrowing rate of 8% per annum.

As at December 31, 2022 the Company's lease liability is as follows:

Balance, January 1, 2021	**$**	**76,194**
Interest		5,740
Lease payments		(18,483)
Foreign exchange movements		473
Balance, December 31, 2021	**$**	**63,924**
Interest		4,482
Lease payments		(18,638)
Foreign exchange movements		(3,541)
Balance, December 31, 2022	**$**	**46,227**

Allocated as:		**As at December 31, 2022**		**As at December 31, 2021**
Current	$	14,882	$	14,535
Long-term		31,345		49,389
	$	**46,227**	$	63,924

(Expressed in United States Dollars, Unless Otherwise Stated)

6. Exploration and Evaluation Assets

		Balance as at January 1, 2022		Additions / (Disposals)		Balance as at December 31, 2022
Cañariaco Property, Lambayeque, Peru						
Exploration and evaluation costs:						
Drilling	$	9,858,863	$	75,435	$	9,934,298
Environment, health and safety		1,593,436		83,959		1,677,395
General exploration and development		10,181,567		251,746		10,433,313
Engineering studies		11,057,304		93,425		11,150,729
Field support including project management		23,261,881		25,533		23,287,414
Total exploration and evaluation costs		**55,953,051**		**530,098**		**56,483,149**
Mineral and surface access rights		2,214,083		105,167		2,319,250
Community relations and social initiatives		4,892,624		118,627		5,011,251
		63,059,758		**753,892**		**63,813,650**
Option and royalty payments received		(505,921)		-		(505,921)
	$	**62,553,837**	$	**753,892**	$	**63,307,729**
Cobriza Metals Peruvian properties						
Exploration and evaluation costs:						
Drilling		358,297		1,053		359,350
Environment, health and safety		42,288		-		42,288
General exploration and development		706,826		-		706,826
Engineering studies		1,087		-		1,087
Field support including project management		52,309		11,120		63,429
Cost recoveries		(105,839)		(6,573)		(112,412)
Total exploration and evaluation costs		**1,054,968**		**5,600**		**1,060,568**
Mineral and surface access rights	$	453,490	$	58,117	$	511,607
Community relations and social initiatives		40,000		-		40,000
		1,548,458		**63,717**		**1,612,175**
Option and royalty payments received		(350,000)		-		(350,000)
Impairment of exploration and evaluation assets		(466,359)		-		(466,359)
	$	**732,099**	$	**63,717**	$	**795,816**
Total exploration and evaluation assets before value-added tax credit	**$**	**63,285,936**	**$**	**817,609**	**$**	**64,103,545**
Value-added tax credit**		**1,799,976**		**78,724**		**1,878,700**
Total exploration and evaluation assets	**$**	**65,085,912**	**$**	**896,333**	**$**	**65,982,245**

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

(Expressed in United States Dollars, Unless Otherwise Stated)

Cañariaco Property, Lambayeque, Peru	**Balance as at January 1, 2021**	**Additions / (Disposals)**	**Balance as at December 31, 2021**
Exploration and evaluation costs:			
Drilling	$ 9,814,613	$ 44,250	$ 9,858,863
Environment, health and safety	1,448,771	144,665	1,593,436
General exploration and development	10,013,092	168,475	10,181,567
Engineering studies	10,909,797	370,163	11,279,960
Field support including project management	23,216,607	45,274	23,261,881
Total exploration and evaluation costs	**55,402,880**	**772,827**	**56,175,150**
Mineral and surface access rights	2,106,647	107,436	2,214,083
Community relations and social initiatives	4,751,523	141,101	4,892,624
	62,261,050	**1,021,364**	**63,282,814**
Option and royalty payments received	(505,921)	-	(505,921)
Debt forgiveness	-	(222,656)	(222,656)
	$ **61,755,129**	$ **798,708**	$ **62,553,837**
Cobriza Metals Peruvian properties			
Exploration and evaluation costs:			
Drilling	$ 357,090	$ 1,207	$ 358,297
Environment, health and safety	42,288	-	42,288
General exploration and development	706,826	-	706,826
Engineering studies	1,087	-	1,087
Field support including project management	51,691	618	52,309
Cost recoveries	(83,579)	(22,260)	(105,839)
Total exploration and evaluation costs	**1,075,403**	**(20,435)**	**1,054,968**
Mineral and surface access rights	404,730	48,760	453,490
Community relations and social initiatives	40,000	-	40,000
	1,520,133	**28,325**	**1,548,458**
Option and royalty payments received	(350,000)	-	(350,000)
Impairment of exploration and evaluation assets	(466,359)	-	(466,359)
	$ **703,774**	$ **28,325**	$ **732,099**
Total exploration and evaluation assets value-added tax credit	**$ 62,458,346**	**$ 827,033**	**$ 63,285,379**
Value-added tax credit**	**1,798,372**	**1,604**	**1,799,976**
Total exploration and evaluation assets	**$ 64,257,275**	**$ 828,637**	**$ 65,085,912**

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

The Company has 100% interest in the (Don Gregorio) property which is a copper-gold porphyry target located in northern Peru 140 km NNE of Chiclayo in the department of Cajamarca. 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. The Don Gregorio property is one of the projects held by Cobriza Metals Peru S.A. ("Cobriza").

The Company entered into an Option Agreement on the Don Gregorio project with Forte Copper in 2017. In November 2020, the two companies entered into an Assignment Agreement which allows Forte Copper to move ahead with applications for drilling permits.

Under the Assignment and Option Agreements, Forte Copper has the right to earn a 60% interest in the Don Gregorio property by completing the following terms:

- Making payments of US$500,000 to Candente; and
- Drilling 10,000 metres within three years of receiving drilling permits of which 5,000 metres must be drilled within two years; Forte Copper may pay $100/metre cash in lieu of metres not drilled.

The term of the Assignment Agreement is for 5 years; if the 10,000 metres have not been drilled (including cash paid in lieu) by November 2025, then the property must be returned to Candente Copper.

To date, the Company has received payments totalling: US$100,000 and reimbursements for fees for annual mineral rights totalling US$95,796.52.

Acquisition of Canyon Creek copper project:

On May 26, 2021 the Company announced it has entered into an option agreement to acquire up to 100% interest in the Canyon Creek copper project in northwestern British Columbia ("BC"), Canada.

Terms of the agreement

The Company has entered into a legally binding Letter of Intent ("LOI") with property owner Chris Baldys. The LOI provides for the following:

Acquire 100% Interest (subject to Royalty*) by:

- Issuing a total of 1M shares over 5 years (by November 30, 2025)
- Funding exploration activities to keep the claims in good standing until December 2027 (approximately Cdn$45,000 per year)

Of the above the following is a Firm Commitment:

- Issue 50,000 shares within 14 days of signing and receiving TSX approval (issued) (note 10);
- Issue an additional 50,000 shares by November 30, 2021 (issued);
- Issue an additional 100,000 shares by November 30, 2022 (issued); and
- Funding exploration activities totaling a minimum of $42,000 by December 31, 2021. (achieved).

***Royalty:**

The Vendor will be granted a royalty equal to 1.5% of net smelter returns. The Company has the right to buy-back the first 0.5% for $500,000 and the second 0.5% for an additional $1.5M.

(Expressed in United States Dollars, Unless Otherwise Stated)

7. Equipment

Cost		Total
Balance, January 1, 2021	**$**	**642,910**
Additions		2,980
Balance, December 31, 2021	**$**	**645,890**
Additions		-
Balance, December 31, 2022	**$**	**645,890**

Accumulated Depreciation		Total
Balance, January 1, 2021	**$**	**(573,156)**
Charge for the year		(16,879)
Balance, December 31, 2021	**$**	**(590,035)**
Charge for the year		(42,350)
Balance, December 31, 2022	**$**	**(632,385)**

Carrying value		Total
Balance, January 1, 2021	$	69,754
Balance, December 31, 2021	$	55,855
Balance, December 31, 2022	**$**	**13,505**

8. Trade payables and accrued liabilities

		As at December 31, 2022		As at December 31, 2021
Trade payables	**$**	**433,748**	$	240,281
Due to related parties		**211,287**		211,456
Accrued liabilities		**43,713**		32,987
	$	**688,748**	$	484,724

On February 17, 2022, the Company settled a debt with a vendor for US$53,548 (Cdn$67,800) by issuing 568,213 Common shares with a fair value of $102,945 (Note 10).

9. Loans payable

On April 29, 2022, the Company received a bridge loan in the aggregate principal amount of Cdn$1 million from an arm's length individual investor for a 12-month term at 10% to be repaid on maturity.

On September 22, 2022 Nascent Exploration Pty Ltd, a wholly-owned subsidiary of Fortescue provided a loan of Cdn$1 million for a 12-month term at 10 per cent interest to be repaid on maturity (Notes 13 and 18).

On April 29, 2020, the Company received a loan for gross proceeds of $29,532 (Cdn $40,000) under the Canada Emergency Business Account ("CEBA") as part of the Canadian government funded COVID-19 financial assistance programs. The CEBA term loan is due on December 25, 2025. The loan is interest free until December 31, 2022 and bears interest at 5% per annum thereafter. If at least 75% of the loan principal is paid on or before December 31, 2022, the balance of the loan will be forgiven.

On January 12, 2022 the government announced that the repayment deadline for the Canadian Emergency Business Account (CEBA) loans to qualify for partial loan forgiveness has been extended from December 31, 2022 to December 31, 2023, for all eligible borrowers in good standing.

(Expressed in United States Dollars, Unless Otherwise Stated)

10. Share capital and reserves

a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

As at December 31, 2022, the Company had 273,154,446 (2021 – 266,541,947) common shares issued and outstanding.

During the year ended December 31, 2022, 6,612,499 common shares were issued: pursuant to the exercise of 5,230,000 stock options for proceeds of Cdn$228,702, 714,286 pursuant to the settlement of RSU's, 100,000 pursuant to the Canyon Creek option agreement (Note 6) and 568,213 common shares with fair value of Cdn$130,689 to settle a Cdn$67,800 debt (Note 8). The Company recorded a loss of Cdn$62,889 in connection to the debt settlement.

c) Stock options

The purpose of the Company's stock option plan is to provide incentives to Directors, Officers, employees and consultants of the Company. The maximum number of common shares reserved for issuance upon exercise of the options is 10% of issued and outstanding shares. The Board of Directors may designate the recipients of options and determine the number of common shares covered by each option, its exercise price (which may not be less than closing market price of the common shares on the trading day prior to the grant) and its expiry date. The term of the options shall not exceed five years from the date of grant.

Option pricing models require the input of highly subjective assumptions as noted above. Changes in the subjective input assumptions can materially affect the fair value estimate.

The following table reflects the continuity of stock options for the years ended December 31, 2022 and 2021:

	Number of Stock Options		Weighted Average Exercise price
Balance, January 1, 2021	**13,450,000**	**$**	**0.05**
Issued	3,450,000		0.15
Exercised	(1,650,000)		(0.05)
Balance, December 31, 2021	**15,250,000**	**$**	**0.08**
Issued	9,675,000		0.20
Exercised	(5,230,000)		(0.6)
Cancelled	(170,000)		(0.5)
Balance, December 31, 2022	**19,525,000**	**$**	**0.14**

Share-based payments for the year ended December 31, 2022 were $1,610,431 (2021 – $329,571). From which $1,196,077 related to Stock Options vested during the period. The fair value of stock options granted was $1,123,092 (2021 - $469,829).

Fair value at grant date of the stock options was measured based on the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility. The weighted-average assumptions used for the Black-Scholes option-pricing model of stock options granted during the period are as follows:

(Expressed in United States Dollars, Unless Otherwise Stated)

	As at December 31, 2022	**As at December 31, 2021**
Risk-free interest rate	**2.35%**	1.06%
Expected life of options	**5 years**	5 years
Annualized volatility	**106.39%**	111.2%
Dividend rate	**Nil**	Nil

The following table reflects the actual stock options issued and outstanding as of December 31, 2022:

Expiry date	**Exercise price ($)**	**Weighted average remaining contractual life (years)**	**Number of options outstanding**	**Number of options vested (exercisable)**
October 1, 2023	0.07	0.75	300,000	300,000
October 12, 2023	0.07	0.78	100,000	100,000
November 19, 2023	0.07	0.88	1,150,000	1,150,000
July 19, 2024	0.05	1.55	2,050,000	2,050,000
January 27, 2025	0.05	2.08	3,500,000	3,500,000
June 17, 2025	0.06	2.46	400,000	400,000
May 7, 2026	0.15	3.35	1,150,000	1,150,000
October 13, 2026	0.13	3.79	200,000	100,000
November 10, 2026	0.18	3.86	1,000,000	1,000,000
January 17, 2027	0.23	4.05	5,375,000	5,375,000
June 15, 2027	0.15	4.46	3,200,000	3,200,000
July 18, 2027	0.15	4.55	1,100,000	150,000
	0.14	**3.19**	**19,525,000**	**18,475,000**

d) Warrants

As at December 31, 2022 the Company had no outstanding warrants

e) Reserves

Equity settled employee compensation and warrants reserve:

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

Foreign currency reserve:

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

Available for sale assets:

During the year ended December 31, 2022, the Company recognized an unrealized loss on investments of $307,000 (2021 gain – $238,803) that was included in other comprehensive loss. (Note 4).

f) Deferred share units ("DSU")

The Company has a DSU plan for non-executive directors of the Company. Under the terms of the plan, each vested DSU awarded entitles the DSU holder to receive, subject to adjustment as provided for in the DSU plan, one common share in the Company, an equivalent cash payment or a combination thereof at the discretion of the Company. Shares eligible for issuance under the DSU plan will be subject to the total DSUs granted not exceeding, when aggregated with all other security-based compensation arrangements of the Company, 10% of the issued shares of the Company.

(Expressed in United States Dollars, Unless Otherwise Stated)

For the purposes of the DSU plan, the value of the DSU on the grant date is the market price, being the five-day volume weighted average price of the common shares immediately preceding the grant date.

Balance, January 1, 2021	**991,315**
Granted	984,243
Balance, December 31, 2021	**1,975,558**
Granted	1,464,425
Balance, December 31, 2022	**3,439,983**

g) Restricted share units ("RSU")

The Company has an RSU plan for officers and employees of the Company. Under the terms of the plan, each vested RSU awarded entitles the RSU holder to receive, subject to adjustment as provided for in the RSU plan, one common share in the Company, an equivalent cash payment or a combination thereof, at the discretion of the Company. The RSUs are considered equity settled. RSUs will vest over a period of up to three years from the date of grant. The Company has reserved 5,000,000 common shares for issuance under the RSU plan, subject to the total RSUs granted not exceeding, when aggregated with all other security-based compensation arrangements of the Company, 10% of the issued shares of the Company.

RSUs are measured at fair value on the date of grant based on the five-day volume weighted average price at the common shares immediately preceding the grant date and are recognized as share-based compensation expense on a straight-line basis over the vesting period. The corresponding amount is recorded to the share-based payment reserve. Upon the exercise of RSUs, the related share-based payment reserve is transferred to share capital.

Balance, January 1, 2021	**4,002,355**
Granted	225,294
Settled	(3,288,069)
Balance, December 31, 2021	**939,580**
Granted	2,031,615
Settled	(714,286)
Balance, December 31, 2022	**2,256,909**

11. Commitments

Community engagement and initiatives

On July 8, 2012, the Company signed a land use agreement with the community of San Juan de Cañaris, by which the community authorized the Company to use the land for exploration purposes. The Company has committed 1,500,000 soles ($550,000) to fund sustainable development programs subject to specific project approval by a committee formed by the parties. The Company did incur in excess of 1,500,000 soles on community initiatives since July 2012 (more than 6,000,000 soles since 2010), however, the committee was not formed in time to approve all of these expenditures. The Company also committed to issue 1,000,000 shares of the Company to the community upon the earlier of the commencement of the construction phase of the Cañariaco Copper Project or the transfer of at least 51% of the Cañariaco Copper Project to a third-party.

(Expressed in United States Dollars, Unless Otherwise Stated)

12. Related party transactions

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

	As at December 31, 2022	As at December 31, 2021
Salaries and benefits	**$ 88,789**	$ 126,929
Share based compensation	**1,519,507**	339,483
	$ 1,608,296	**$ 466,412**

Included in salaries and fees is $62,017 (2021 - $50,483) which was capitalized to exploration and evaluation assets.

On January 17, 2022, 5,375,000 stock options were granted to directors and an officer of the Company at an exercise price of Cdn$0.23 with fair market value of Cdn$972,847.

On June 15, 2022, 3,200,000 stock options were granted to a director and an officer of the Company at an exercise price of Cdn$0.15 with fair market value of Cdn$355,648.

During the year ended December 31, 2022, the Company granted 1,464,425 DSUs (2021 - 984,243) in consideration for directors' fees.

During the year ended December 31, 2022, the Company granted 2,031,615 RSUs (2021 - 225,294) in consideration for management fees.

During the year ended December 31, 2022, the Company received loans from directors and officers totaling Cdn$158,005 which were fully paid back on September 29, 2022.

The amounts due to related parties included in trade payables and accrued liabilities are due to directors and officers of the Company (Note 8). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The outstanding balances with related parties were as follows:

	As at December 31, 2022	As at December 31, 2021
Trade payables and accrued liabilities	**$ 211,287**	$ 211,456
Loans payable	**738,300**	**-**
	$ 949,587	**$ 211,456**

(Expressed in United States Dollars, Unless Otherwise Stated)

13. General and administrative expenses

		As at December 31, 2022		As at December 31, 2021
Business development	$	**263,683**	$	88,811
Legal		**174,236**		55,938
Salaries and benefits		**166,373**		307,863
Accounting, audit and tax advisory fees		**125,084**		66,596
Investor relations and shareholder communications.		**92,671**		84,325
Office rent and related		**64,406**		52,552
Regulatory and filing fees		**61,960**		55,049
Amortization		**15,683**		33,149
Bank charges and interest		**3,680**		3,572
	$	**967,776**	**$**	**747,855**

14. Segments information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The CODM has been identified as the Board of Directors of the Company.

For management purposes, the Company uses the same measurement policies as those used in its financial statements. The CODM evaluates performance of each segment based on net profit (loss).

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

15. Financial risk and capital management

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

Liquidity risk

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

The following table details the Company's contractual maturities for its financial liabilities as at December 31, 2022 and December 31, 2021, due by year:

As at December, 31, 2022		Carrying amount	Contractual Cashflows	0 to 12 month	More than 12 month
Accounts payable and accrued liabilities	$	**263,683**	**263,683**	**-**	**-**
Loans payable		**1,557,509**	**1,643,887**	1,611,392	32,485
Lease liability		**46,227**	**69,866**	25,340	44,526
		1,867,419	**1,977,426**	**1,636,732**	**77,011**

(Expressed in United States Dollars, Unless Otherwise Stated)

As at December, 31, 2021		Carrying amount	Contractual Cashflows	0 to 12 month	More than 12 month
Accounts payable and accrued liabilities	$	**484,724**	484,724	-	-
Loans payable		**31,552**	35,982	-	35,982
Lease liability		**63,924**	**69,866**	19,131	**55,108**
		580,200	**590,572**	**19,131**	**91,090**

Currency risk

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

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Cash is deposited in highly rated corporations and the credit risk associated with these deposits is low. As at December 31, 2022 and December 31, 2021, the Company's maximum exposure to credit risk is the carrying value of its cash and receivables.

Capital management

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

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

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

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

Fair value hierarchy

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(Expressed in United States Dollars, Unless Otherwise Stated)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and investments fall under Level 1.

There were no transfers between levels during the period.

16. Income taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	December 31, 2022	December 31, 2021
Loss before income taxes	$ (2,711,789)	$ (1,175,913)
Applicable income tax rate	27.0%	27.0%
Estimated recovery of income taxes	(732,183)	(317,497)
Non-deductible expenditures	617,901	122,657
Foreign exchange on foreign operations	78,664	232,610
True up of tax provision from prior year	(1,044,774)	241,423
Tax effect of tax losses and temporary differences not recognized and other	1,080,392	(279,193)
Income tax expense	**$ -**	**$ -**

The Canadian combined federal corporate tax rate and British Columbia provincial tax rate is 27.0% for 2022 and 2021. Peruvian income tax rates are 29.5% for 2022 and 2021.

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

	December 31, 2022	December 31, 2021
Deferred tax asset:		
Non-capital losses net of valuation allowance	$ 7,364,201	$ 7,746,898
Deferred tax liability:		
Mineral properties	(7,364,201)	(7,746,898)
Net deferred tax	**$ -**	**$ -**

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

	December 31, 2022	December 31, 2021
Net capital losses	$ 27,331,778	$ 27,667,493
Capital losses	6,382,319	1,723,226
Share issue costs	146,270	42,110
Unrealised loss on investments	2,641,678	713,253
Total deductible temporary differences	**$ 36,502,045**	**$ 30,146,082**

As at December 31, 2022, the Company has non-capital operating losses of approximately $18.3 million (2021 - $16.5 million), subject to certain restrictions, for deduction against future taxable income in Canada. The operating losses expire from 2026 through to 2041.

The Company also had net operating loss carry-forwards for tax purposes of approximately $14 million (2021 - $14.5 million), subject to certain restrictions, for deduction against future taxable income in Peru. The Company has the option to carry forward all net operating losses for four years, or carry the losses forward indefinitely, but only up to 50% of the Company's taxable income of each subsequent year.

17. Subsequent events

On January 6, 2023, the Company issued 909,732 Common Shares to an officer of the Company to fulfill 909,732 RSU's which vested on January 6, 2023.

On January 20, 2023, the Company issued 332,231 Common Shares in consideration of a debt outstanding of Cdn$54,240.

On January 27, 2023, the Company granted 348,141 DSU's in consideration of Cdn$51,734 in Directors' fees.

On January 27, 2023, the Company granted 265,250 RSU's to certain Officers of the Company in consideration of management fees owing of Cdn$43,050.

On February 1, 2023, the Company issued 22,222,222 Common Shares to Fortescue pursuant to the closing of a Private Placement for gross proceeds of Cdn$4,000,000. Part of the proceeds have been used to repay the short-term loan of Cdn$1,000,000 that was outstanding to Fortescue and also, all interest outstanding on the loan was waived upon repayment.