



# CANDENTE COPPER CORP.



## ANNUAL INFORMATION FORM

**For the fiscal year ended December 31, 2021 (unless otherwise noted)**

**Dated March 31, 2022**

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## **1. 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, 2021; and
- (b) management discussion and analysis of the Company for the year ended December 31, 2021,

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, 2021, 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;

- Litigation 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, 2021		
	2021	2020	2019
Rate at end of period	USD 0.7888	USD 0.7854	USD 0.7699
Average rate for period	USD 0.7980	USD 0.7454	USD 0.7536

On March 30, 2022, 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 0.8019.

## 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

## 2. 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 structure of the Company consists of an unlimited number of common shares without par value (“**Common Shares**”). 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 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.

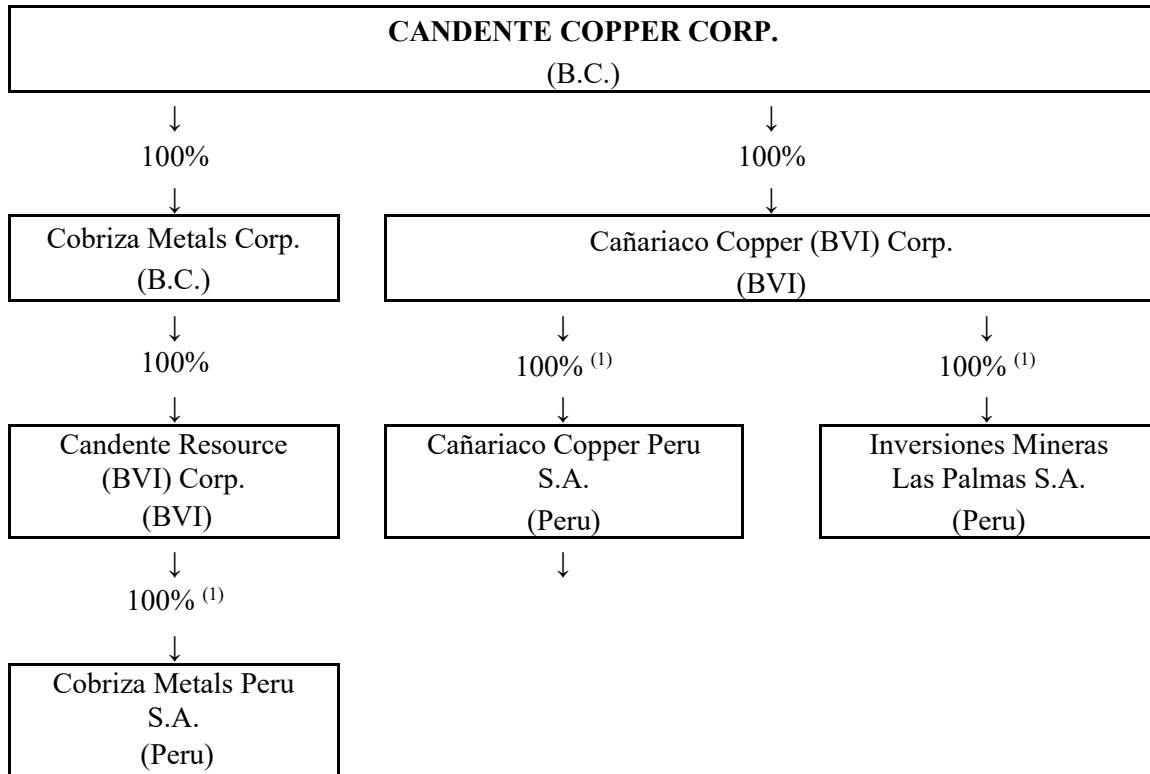
The Company’s CUSIP and ISIN numbers are 13739Y304 and CA13739Y3041, respectively.

The Company’s registered and records office is located at Suite 2300, 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 2B5. The Company’s head 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**” or “**CCPSA**”), 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.

**3. GENERAL DEVELOPMENT OF THE BUSINESS**

**GENERAL**

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 as well as a copper project in northwestern British Columbia, Canada which it acquired in May 2021.

See “Mineral Projects” page 17 for further information on the Company’s assets.



## **THREE YEAR HISTORY**

### **2019**

#### ***Debt Settlement***

On February 25, 2019, the Company issued 2,638,771 Common Shares to AMEC to settle debt of \$141,750 in accordance with the debt settlement agreement to settle trade liabilities owed by the Company's subsidiary, Cañariaco Copper Peru S.A.

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

#### ***Private Placement***

In March 2019, the Company completed a private placement financing, issuing 9,550,000 units (the "Units") at CDN\$0.05 per unit for gross proceeds of CDN\$477,500. Each Unit consisted of one Common Share and one half of one Common Share purchase warrant whereby each whole warrant entitled the holder to purchase an additional Common Share of the Company at a price of \$0.09 for a period of two years from the date of issuance. If at any time after June 30<sup>th</sup>, 2019, the Company's Common Shares had a closing price on the TSX at or above a price of \$0.30 per share for a period of 10 consecutive trading days, the Company may give notice by News Release that expiration of the warrants will be accelerated to 40 days from the date of providing such notice. All Common Shares were subject to a four month hold period. Joanne C. Freeze, President, CEO and Director; John Black, former Director; and Paul H. Barry, former Director, collectively subscribed for a total of 2,400,000 Units.

#### ***Management and Directors Changes***

On June 28, 2019, Paul Barry was not reappointed as Independent Director of the Company. On October 30, 2019 Michael Thicke, VP of Exploration and Director of the Company, passed away.

#### ***Warrant Extension***

In August 2019, the Company extended the exercise period of a total of 5,349,222 outstanding share purchase warrants with an exercise price of \$0.15 issued pursuant to the private placement completed on September 14, 2017. The original expiry date was September 14, 2019 and the new expiration date became September 14, 2021. The Company did not extend the exercise period of 441,667 warrants held directly or indirectly by related parties and these warrants expired unexercised.

#### ***Projects***

##### ***Cañariaco Copper Project***

Exploration and development activities in 2019 focused on high level engineering reviews (both resource work and mine plan studies) to identify the potential for a higher-grade starter operation at Cañariaco Norte. In addition, exploration field activity focused on geological mapping and sampling at the lesser explored target Quebrada Verde, third party reviews of all work to date, field visits related to permit applications and additional reclamation of drill sites and camp roads.

During the year ended December 31, 2019, the Company hosted various third party reviews of the property including drill sites and drill core. The Company also decided not to renew one claim for Cañariaco, following that the property comprised five contiguous claims totaling 4,289.50 hectares.

##### ***Arikepay***

Exploration at Arikepay during 2019 was comprised of third party reviews of the drill sites and drill core.

*Don Gregorio*

Plan B Minerals reported that during 2019 they were working on Drill Permit applications.

## **2020**

### ***Fortescue Metals Group Private Placement***

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 resulted in Fortescue obtaining a 9.72% interest in the Company and certain rights, details of which are provided below. On May 22, 2020, Fortescue increased its investment to hold 19.9% of the Company by subscribing for an additional 27,500,000 Common Shares for gross proceeds of Cdn\$1,375,000. Fortescue’s cumulative investment was Cdn\$2,425,000 for 48,500,000 Common Shares.

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

In connection with the Fortescue 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 on or before May 21, 2022, 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.

### ***Term Loan Payable***

On April 29, 2020, the Company received a loan for gross proceeds of \$30,601 (CAD \$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.

### ***Warrants Extension***

On July 2020, the Company extended the exercise period of a total of 5,407,663 outstanding share purchase warrants (the “**Warrants**”) with an exercise price of \$0.15 issued pursuant to the private placement completed on July 29, 2016. The extended expiry date was July 29, 2021. None of the Warrants were held directly or indirectly by insiders of the Company.

### ***Online Marketing***

On August 2020 the Company launched AGORACOM online marketing and discussion forum as primary investor social media discussion platform. This will serve as the Company’s primary social media platform to interact with

both shareholders and the broader investment community in a fully moderated environment. The HUB can be found at: <https://agoracom.com/ir/CandenteCopper>.

### ***Shareholder Rights Plan***

On August 2020, the Company adopted a new shareholder rights plan (“Rights Plan”), which is designed to encourage the fair treatment of the Company’s Shareholders in connection with any potential take over bid for the Company. The Rights Plan is not intended to deter or prevent take over bids and is similar to plans adopted recently by several other Canadian public companies and approved by their Shareholders.

The Rights Plan was approved by the Toronto Stock Exchange and obtained Shareholder approval at the Company’s Annual General Meeting held on September 17, 2020.

### ***Management and Directors Changes***

In August 2020, Agustin Pichot was appointed Director of the Company, representing Fortescue Metals Group Limited.

In September 2020, John Black was not reappointed as Independent Director of the Company.

### ***Assignment Agreement signed with Forte Copper on Don Gregorio Copper-Gold Project, Peru***

The Company entered into an Option Agreement on the Don Gregorio project with Forte Copper (previously known as Plan B Minerals) in 2017. An Assignment Agreement entered into on November 4, 2020 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:

1. Making payments of US\$500,000 to Candente Copper; and
2. 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 4, 2025, then the property must be returned unencumbered to Candente Copper.

## ***2021***

### ***Warrants Exercise***

During January 1 and March 31, 2021 a total of 5,592,110 warrants were exercised for proceeds of CDN\$639,317.

### ***Debt Settlement***

In February 15, 2021 the Company made a final cash payment of \$175,000 to AMEC in accordance with the debt settlement agreement to settle trade liabilities owed by the Company’s subsidiary, Cañariaco Copper Peru S.A. (December 31, 2020 - \$350,000) and the remaining balance of \$222,655 was recorded as debt forgiveness in full satisfaction of all obligations to AMEC.

### ***Private Placement***

In August, 2021, the Company completed a private placement with Fortescue and Lind Global Fund II, LP, for gross proceeds of Cdn\$1,100,000. The two parties subscribed equally for 4,400,000 of the 8,800,000 total Common Shares. Lind Global Fund II, LP, is an institutional investment fund managed by The Lind Partners, LLC (“**Lind**”), an institutional fund manager and leading provider of growth capital to small and mid-cap companies publicly traded in the US, Canada, Australia and the UK. Fortescue increased its interest in the Company from 18.9% to 19.9% with the August 2021 Private Placement.

### ***Other Acquisitions and Dispositions***

On May 26, 2021, the Company entered into a letter of intent (the “**LOI**”) to acquire up to 100% interest in the Canyon Creek copper project in northwestern British Columbia, Canada from Chris Baldys, which LOI was superseded by an option agreement dated January 14, 2022 (the “**Option Agreement**”). Under the Option Agreement, the Company must: (i) issue a total of 1,000,000 Common Shares over 5 years (by November 30, 2025) and (ii) fund exploration activities to keep the claims in good standing until December 2027 (approximately Cdn\$45,000 per year). Of the foregoing, the following was a firm commitment: (i) the issuance of 50,000 Common Shares within 14 days of signing and receiving TSX approval (which shares were issued); (ii) the issuance of an additional 50,000 Common Shares by November 30, 2021 (which shares were issued), and (iii) funding exploration activities totalling a minimum of \$42,000 by December 31, 2021 (which exploration was funded). The vendor was granted a royalty equal to 1.5% of net smelter returns. The Company has the right to buyback the first 0.5% of the royalty for \$500,000 and the second 0.5% of the royalty for an additional \$1,500,000.

Between September 15 and 30, 2021, the Company conducted an exploration program at the Canyon Creek copper project in northwestern British Columbia. Exploration focused on confirming and expanding previously discovered copper (“Cu”) and molybdenum (“Mo”) mineralization in bedrock as well as geochemical and geophysical anomalies all of which are typical of porphyry style mineralization.

### ***Management and Directors Changes***

In May 2021 Christine Nicolau was appointed as Director, representing Fortescue and replacing Agustin Pichot, who had resigned as a Director of the Company.

In November 2021 Luis Miguel Incháustegui Zevallos was appointed as an Independent Director of the Company.

## Subsequent to the year ended December 31, 2021

### January 1, 2022 to March 30, 2022

#### *Private Placement*

On March 22, 2022, the Company agreed to terms for a private placement of up to Cdn\$10 million with Lind. This private placement is expected to include the issuance of a convertible security (the “**Convertible Security**”) and warrants (the “**Lind Warrants**”) to purchase Common Shares. The funding agreement is to comprise (i) an initial Cdn\$3,000,000 investment; and (ii) optional follow-on investment(s) of up to Cdn\$7,000,000 (in increments of CDN\$1,000,000 on the same terms and conditions as the initial Convertible Security), upon mutual agreement. The initial Cdn\$3,000,000 investment would result in the Company issuing Lind the Convertible Security with a face value of Cdn\$3,600,000 (the “**Face Value**”) with a 24-month maturity date. The outstanding Face Value of the Convertible Security could be repaid in cash, with a 5% premium, or be converted into Common Shares at a conversion price equal to 85% of the five-day volume weighted average price of the Common Shares immediately prior to each conversion (the “**Conversion Price**”). The Lind Warrants would be issued concurrently with the initial funding and would allow the purchase of up to 6,250,000 Common Shares at a price of Cdn\$0.30 per share for a period of 48 months, which if exercised would bring in an additional Cdn\$1,875,000 in funding.

Subject to certain conditions, Lind will be entitled to convert up to 1/20<sup>th</sup> of the Face Value of the Convertible Security per month into underlying Common Shares (which equals CDN\$180,000 for the initial Convertible Security). Lind can increase conversions up to CDN\$540,000 each month, provided that amount does not equal 20% of the Company’s 20-day traded volume. Notwithstanding the foregoing, Lind will have the right to convert any Face Value amount if the Company’s (i) equity market capitalization increases above CDN\$97,000,000; or (ii) equity market capitalization falls below CDN\$32,000,000. Instead of issuing underlying Common Shares, the Company will have the right (but not the obligation) to repay any conversion value in cash with a 5% premium. In addition, thirty days after the underlying Common Shares become free-trading, the Company will have the right to buy-back the outstanding face value of the Convertible Security at any time with no penalty (the “**Buy-Back Right**”). Should the Company exercise its Buy-Back Right, Lind will have the option to convert up to 33.3% of the Face Value at the Conversion Price.

#### *Cañariaco Property Expansion*

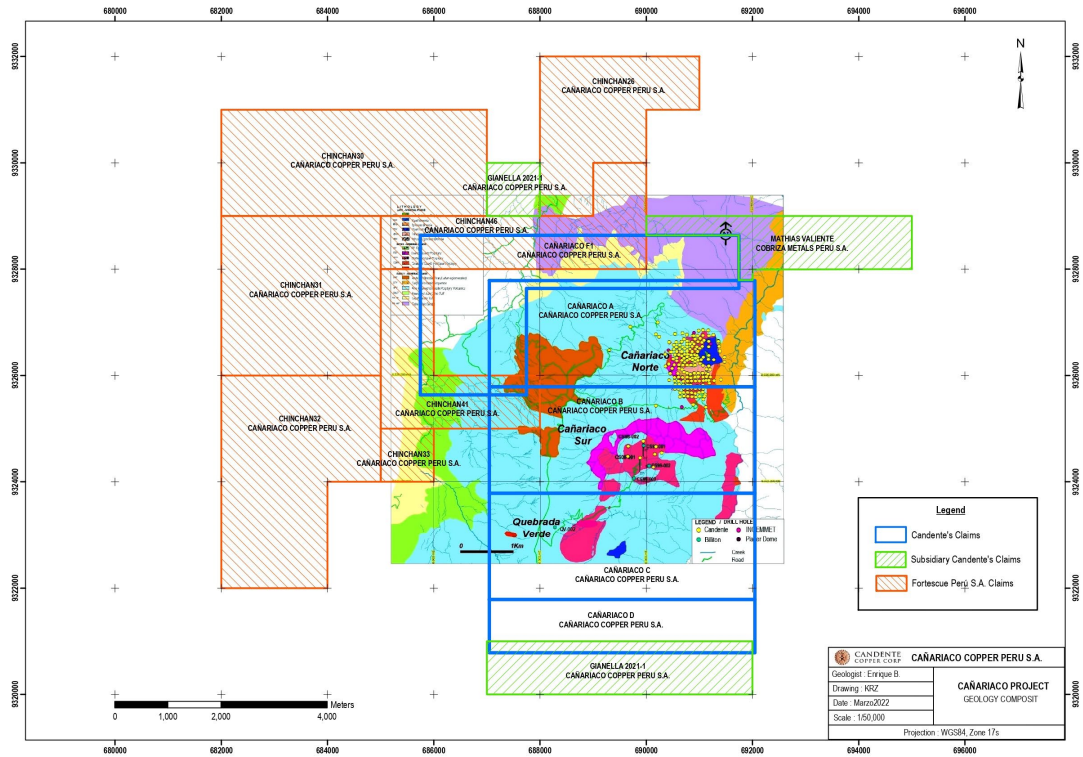
In the last three years, Candente has acquired additional mineral licences for the Cañariaco Property. Some of the new claims are held by Candente Copper’s other subsidiary, Cobriza Metals Peru S.A. (“**CZA**”) and the most recent seven claims were acquired by Peru Fortescue S.A.C. (“**F**”) in 2020 and are currently being transferred to CCPSA. The current mineral tenure is summarized below in Table 1 and the claims are shown in Figure 1.

**Table 3.1: Cañariaco Property Mineral Tenure Table**

No.	Claim Name	Code	Holder	Granted	Hectares
1	Cañariaco A	15000004Y02	CCPSA	1992	1,000
2	Cañariaco B	15000005Y02	CCPSA	1992	1,000
3	Cañariaco C	15000006Y01	CCPSA	1992	1,000
4	Cañariaco D	15000007Y01	CCPSA	1992	500
5	Cañariaco F1	01-00312-04	CCPSA	2004	790
6	Mathias Valiente	01-01981-20	CZA	App 2020	600

No.	Claim Name	Code	Holder	Granted	Hectares
7	Gianella 2021-1	01-02100-21	CCPSA	App 2021	100
8	Gianella 2021-2	01-02101-21	CCPSA	App 2021	500
9	Chinchan 26	01-00234-20	F to CCPSA	2022	600
10	Chinchan 30	01-00205-20	F to CCPSA	2022	1,000
11	Chinchan 31	01-00217-20	F to CCPSA	2021	900
12	Chinchan 32	01-00204-20	F to CCPSA	2022	1,000
13	Chinchan 33	01-00233-20	F to CCPSA	2021	100
14	Chinchan 41	01-00188-20	F to CCPSA	2021	500
15	Chinchan 46	01-00219-20	F to CCPSA	2021	600

**Figure 3.1: Cañariaco Property Mineral Claims Map**



## **4. 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 predominantly 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. 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, 2021, the Company had two (2) full-time employees and three (3) key consultants in Canada and, in Peru, twelve (12) full-time employees and one (1) part-time consultant. 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.

## **FOREIGN OPERATIONS**

The Company's principal assets and certain of its operations are located in Peru. The Company's operations in Peru are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, government regulations (or changes to such regulations) with respect to restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use, local ownership requirements and land claims, political change and mine safety. The effect of these factors cannot be accurately predicted. See "Risk Factors".

## **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 deteriorate significantly starting in mid-2012 and the depressed environment continued until approximately 2020. Economic conditions have generally improved in developed regions since that time although there was significant short term economic weakness during the initial period of the COVID pandemic. Currently mineral commodities and especially battery metals are experiencing strong demand and pricing, and mining companies producing these metals are generally doing well. In addition mineral exploration efforts and expenditures have increased significantly. However, this strength in the

minerals sector has not resulted in a dramatic increase in capital investment for new mines or mergers and acquisitions which were typical of past strong commodity cycles. Consensus views within the minerals sector anticipate an increase in demand in battery metals due to the global electrification efforts, however supply growth will be contingent on discovery and development of new mines to meet the expected demand. Various mining analysts and management are of the opinion that the Cañariaco Norte copper deposit will be well positioned to be a significant source of future copper supply.

*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. 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 2021, 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 conduct 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 or 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 it 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:

1. Regular communication with various members of the local community regarding their concerns and needs as well as the Company's activities and objectives.
2. 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.

## 5. 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.

In 2022, the Company announced the results of a preliminary economic assessment in respect of the Cañariaco Copper Project (the “2022 PEA”) as follows:

#### **2022 PEA HIGHLIGHTS**

- Initial CapEx of \$1.04 B – 40,000 tonnes per day (“tpd”) mine and plant;
- Mine and plant expansion to 80,000 tpd in year 7 with additional capex of \$305 M from cash flow;
- Cash operating cost of US\$1.28/lb of copper including all on-site and off-site costs, treatment and refining charges (“TC/RC”), net of by-product credits;
- Advanced ESG development strategies result in improved Infrastructure Design including a single waste management facility (WMF) with co-mingling and co-placement of waste rock and filtered mill tailings creating a smaller overall footprint further distanced from populated areas;
- Waste to mineralized material strip ratio of 0.66:1
- After-tax NPV of US\$1,010 M for base case of US\$3.50/lb Cu, US\$1,650/oz Au, US\$21.50/oz Ag, and 8% discount rate;
- After-tax IRR of 16.3% for base case of US\$3.50/lb Cu, US\$1,650/oz Au, and US\$21.50/oz Ag;
- After-tax NPV increases to US\$1,833 M, with an IRR of 21.9% and payback of 4.5 years when using a copper price of US\$4.50/lb.
- Payback of pre-production capital in 7.1 years using base case price of US\$3.50/lb Cu and 4.5 years using US\$4.50/lb Cu;
- Highly leveraged to copper prices;
- Life-of-mine (“LOM”) metal production of 4,848 Mlb (2,199,215 tonnes) Cu, 879,051 oz Au, and 19,700,467 oz Ag;
- Average annual metal production of 173 Mlb (78,543 tonnes) Cu, 31,395 oz Au, and 703,588 oz Ag during the LOM;
- Average annual metal production of 120 Mlb (54,539 tonnes) Cu, 24,375 oz Au, and 548,667 oz Ag for the first six years;
- Average annual metal production of 193 Mlb (87,475 tonnes) Cu, 34,243 oz Au per year, and 766,753 oz Ag per year for the second mine phase, which will run for 21.4 years;
- Average LOM metal recoveries of 88.1% for Cu, 64.7% for gold and 57.2% for silver;
- Concentrate grades are forecast to average approximately 26% Cu, 3.63 g/t Au and 84.16 g/t Ag for first six years;
- LOM Concentrate grades are projected to average approximately 26% Cu, 3.27 g/t Au and 75.40 g/t Ag;
- Conventional crush/grind and flotation technology;
- Decreased OpEx with marketable concentrate with no need for arsenic treatment;
- Pre-production capital cost of US\$1.04 B is based on leased mining equipment and includes a contingency allocation of 18.5%;
- All-in capital cost of US\$1.57 B based on leased mining equipment and including life-of-mine sustaining capital, expansion capital and closure cost;
- 28-year mine life, with potential for extension if additional resources identified below proposed pit can be included in a mine plan;
- Located at a moderate elevation with pit centroid and process plant at approximately 3,000 metres above sea level;



- Connection to the national power grid is planned to be by direct line approximately 55 km from the project site to the Carhuaquero substation site;
- Significant potential for discovery of additional mineralization at nearby Cañariaco Sur and Quebrada Verde targets.

The information below is extracted from the executive summary of the technical report prepared by Mr. Kevin Murray, P.Eng., and Mr. Scott Elfen, P.E., of Ausenco Engineering Canada Inc., Mr. Scott Weston, P.Geo. of Hemmera Envirochem Inc., Mr. Jay Melnyk, P.Eng. of AGP Mining Consultants Inc., and Mr. David Thomas, P.Geo. of DKT Geosolutions Inc., entitled “Cañariaco Norte Project Lambayeque Region, Peru NI 43-101 Technical Report on Preliminary Economic Assessment” (the “**Report**”) with an effective date of February 8, 2022 and amended and refiled March 15, 2022. The Report may be found on the Company’s website and on SEDAR at [www.sedar.com](http://www.sedar.com) under the Company’s profile.

The following summary is reproduced from the Report, which Report is hereby incorporated into this AIF by reference. The following summary does not purport to be complete and is subject to all the assumptions, qualifications and procedures as set out in the Report.

### **1.1 Introduction**

Candente Copper Corp. (Candente Copper) requested that Ausenco Engineering Canada, Inc. (“Ausenco”) prepare a technical report (the Report) on the results of a preliminary economic assessment (“2022 PEA”) on the Cañariaco Norte deposit within the Cañariaco Project in Peru.

### **1.2 Terms of Reference**

The Report was prepared to support disclosures in Candente Copper’s news release dated February 8, 2022, entitled “Candente Copper Announces Positive PEA Results for the Cañariaco Copper Project”.

The Report was amended to address a typographical error in one of the Certificates of Qualified Persons that was used as a Report date and signature page. No other changes were made to the Report.

Units used in the report are metric units unless otherwise noted. Monetary units are in United States dollars (US\$) unless otherwise stated. Mineral Resources are classified using the 2014 edition of the Canadian Institute of Mining and Metallurgy (CIM) Definition Standards for Mineral Resources and Mineral Reserves (the 2014 CIM Definition Standards). Mineral Resources estimates were prepared using the guidance set out in the 2019 edition of the CIM’s Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines (2019 Guidelines). The Report uses Canadian English.

### **1.3 Project Setting**

The Cañariaco Project is situated within the Province of Ferreñafe, in the Region/Department of Lambayeque, in northwestern Peru, and is approximately 700 km northwest of Lima, the capital of Peru, and approximately 120 km to the northeast of the city of Chiclayo.

Either the Pan-American Highway (700 km, 11-hour trip) or one of the several daily commercial airline flights can be taken from Lima to Chiclayo. The route from Chiclayo to the Cañariaco Project is currently a 150 km six-hour trip along mostly unimproved roads via Incahuasi.

Temperatures in the Project area vary with altitude and range between approximately 3°C and 20°C. The region receives between 830 mm and 1,700 mm of rainfall each year. The rainy season extends from November to March. It is expected that any future mining operations will be able to be conducted year-round.

Elevations in the Project area range between 2,200 and 3,600 masl, as the Project is situated on the eastern side of the continental divide. The topography varies from steep incised valleys at lower elevations to open grassy highlands at upper elevations.

There is sufficient suitable land available within the concessions for tailings disposal, mine waste disposal, and installations such as a process plant and related mine infrastructure.

#### **1.4 Mineral Tenure, Surface Rights, Water Rights, Royalties and Agreements**

The Project consists of 15 mining concessions totalling approximately 10,190 ha. Mining legislation in Peru does not require location of concession boundaries on the ground. To maintain the concessions in good standing, annual validity payments of \$3.00 per hectare must be paid and when the minimum production or investment (exploration) has not been met by the 10<sup>th</sup> year calculated from the year following the concession grant, a penalty must be paid from the 11<sup>th</sup> year. In Candente Copper's case, the 10<sup>th</sup> year was 2008, and penalties have been paid since that date. Ausenco was advised by Candente Copper that 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.

It is a requirement of the Peruvian Government that any property developer either purchases the surface rights, or makes an appropriate agreement with the surface rights owner, for access to a property. Mining concession holders are protected under the Peruvian Constitution and Civil Code. Mineral concession rights do not, however, confer ownership of the land. Thus, the owner of a mining concession must deal with the registered land owner to obtain access rights. All transactions and contracts pertaining to a mining concession must be registered with the Public Mining Registry.

Candente Copper will need to obtain an authorization from the National Water Authority (ANA) to use water for exploration and/or mining purposes, including for domestic and industrial use.

There is a 0.5% royalty payable to Anglo Pacific, a third party, on the Cañariaco A, B, C, D and F1 concessions. Profit based taxes are due to the Government of Peru. It is expected that the Project will incur a net profits interest (NPI) royalty.

#### **1.5 Geology and Mineralization**

The Cañariaco Norte and Cañariaco Sur deposits are considered to be examples of porphyry copper deposits.

The Project covers a north-easterly 4–5 km long structural trend that hosts three porphyry centres, Cañariaco Norte, Cañariaco Sur and Quebrada Verde, as delineated by geophysics, geochemistry, geological mapping, and drilling. In each of these centres various intrusive bodies have been mapped. The host rocks to the mineralized intrusions are Calipuy Group andesite volcanic rocks.

The Cañariaco Norte deposit is hosted within a multiphase intrusive–breccia complex approximately 1.7 km in strike extent and 1.1 km wide. The deposit has been drill-tested to a depth of approximately 770 m and remains open at depth. The majority of the copper–gold mineralization is hosted within the intrusive and breccia units, but locally extends for variable distances into the enclosing volcanic units. The intrusive units are nested and collectively roughly oval in shape, with older intrusive rocks being cut by successively younger intrusive bodies. In general, the intrusive units are north–south-trending, steeply-dipping bodies. The breccia units cut the intrusive units, are oval to circular in shape, and are steeply plunging. The dykes generally strike northwest–southeast with a steep southwesterly dip. The shape and positioning of the intrusive, breccias, and dyke units was largely controlled by northwest–southeast- and northeast–southwest-trending faults. The main copper minerals are chalcopyrite, covellite, chalcocite, and enargite, with minor bornite, tennantite, and digenite, and trace tetrahedrite. Copper sulphide minerals are mainly associated with pyrite and other sulphide gangue minerals. In general, the highest copper grades (>0.5% Cu) occur in the biotite–feldspar porphyry and polymictic breccia units. Intermediate copper grades (0.35 to 0.5% Cu) are most common in the hydrothermal breccia and the coarse quartz porphyry, and the lowest grades (0.2 to 0.35% Cu) are found in the crowded quartz feldspar porphyry, tourmaline breccias, and volcanic host rocks.

The Cañariaco Sur deposit is located approximately 2 km southwest of Cañariaco Norte. The deposit consists of a large area of potassic alteration with a coincident copper–gold–molybdenum soil geochemical anomaly with approximate dimensions of 1,400 x 900 m. The host rocks to the mineralized intrusions are Calipuy Group andesite volcanic rocks. Two main intrusions were noted from geological mapping, an early 750 x 500 m quartz monzonite stock, and a later diorite stock with an area of approximately 100 x 50 m. Cañariaco Sur lacks the later stage brecciation event that introduced arsenic into Cañariaco Norte and does not have the other breccias that complicated the copper grade controls at Cañariaco Norte. Cañariaco Sur also has a higher gold content than Cañariaco Norte.

The Quebrada Verde prospect consists of a 1 km x 750 m diorite porphyry stock that intruded Calipuy Group andesite volcanic rocks.

The geological understanding of the settings, lithologies, and structural and alteration controls on mineralization in the different zones is sufficient to support estimation of Mineral Resources at Cañariaco Norte and Cañariaco Sur. The geological knowledge of the area is also considered sufficiently acceptable to reliably inform conceptual mine planning at Cañariaco Norte. The Cañariaco Sur deposit is not used in the 2022 PEA.

## 1.6 History

Prior to Candente Copper's Project interest, the following entities or companies held an interest in the Project area: the Peruvian Servicio Nacional de Geología y Minería (INGEMMET), Placer Dome Exploration Inc. (Placer Dome), and Billiton Exploration and Mining Perú B.V. (Billiton). Work conducted 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.

Candente Copper acquired the Project in 2002. Work conducted since acquisition included 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, and Mineral Resource estimation. A preliminary assessment was completed in 2006 on the Cañariaco Norte deposit and was updated in 2008. A mining study was completed in 2011. These studies are not considered to be current; however, some of the data and information obtained during the 2008–2011, such as environmental baseline data, are used to support the 2022 PEA.

## 1.7 Drilling and Sampling

Drilling on the Project consists of 289 core holes (85,183.16 m), including geotechnical, metallurgical, and hydrogeological drilling. Of this total, 272 core holes (81,708.85 m) were completed by Candente Copper.

Core from INGEMMET, Placer Dome and Billiton programs, referred to as legacy, was re-logged by Candente Copper. Core from the Candente Copper campaigns was logged for lithology, structure, veining, alteration, and mineralization.

Candente Copper drill collar locations were picked up by a surveyor using a total station instrument. All legacy drill collars were picked up by survey in 2006 and tied into the Project grid. Down-hole surveys were performed for the Candente Copper using Pajari, Sperry Sun, or Reflex EZ-Shot instruments.

Drill core generated by INGEMMET and Placer Dome was halved; there is no information as to the typical sample intervals. The Billiton drill core was halved and sampled on 2 m intervals. Candente Copper drill core was halved using a circular rock saw. Samples were 2 m in length unless a geological contact was present within the sample interval. In those instances, the sample interval was terminated at the contact. The subsequent sample interval terminated at the next metre depth mark that allowed a 1.50 m minimum sample length.

A total of 9,424 bulk density readings were taken by Candente Copper personnel during core logging using weight in air and weight in water methods.

Several primary assay laboratories were used for routine analyses over the Project history.

INGEMMET used the independent Plenge Laboratory in Lima and the non-independent INGEMMET internal laboratory, also located in Lima. No information is available as to accreditation of the laboratories at the time sampling was performed. Placer Dome used the independent SGS-XRAL (SGS) laboratory in Lima. No information is available as to accreditation of the laboratory at the time sampling was performed. For the Billiton sampling, sample preparation was undertaken by ALS Chemex in Trujillo, and primary analysis by ALS Chemex in Lima. The umpire laboratory was SGS. Both laboratories were independent of Billiton. No information is available as to accreditation of the laboratories at the time sampling was performed.

Activation-Skyline Laboratories (Actlabs) in Lima, Peru performed all of the sample preparation and the majority of the analyses for the Candente Copper programs. Actlabs is independent of Candente Copper and held ISO:9000 accreditation for the Peruvian laboratory at the time the analyses were conducted. Inductively-coupled plasma (ICP) analyses were performed by the Ancaster, Canada, Actlabs laboratory, which had Standards Council of Canada (SCC) accreditation for International Standards Organization (ISO)17025.

Some analyses for the re-analysis of pre-2008 core samples for gold and ICP were undertaken by ALS Chemex in Lima. ALS Chemex also assayed 2012 and 2013 drilling campaign samples. ALS Chemex is independent of Candente Copper and held ISO:9000 accreditation for the Peruvian laboratory at the time the work was conducted.

ACME Laboratories (ACME), Lima was used as a check laboratory for pulp analyses. ACME is independent of Candente Copper and held ISO:9000 accreditation for the Peruvian laboratory at the time the work was performed.

Very limited information is available on the sample preparation and analytical methods used by INGEMMET or Placer Dome. INGEMMET samples were analyzed for copper and molybdenum, and more rarely gold and silver, using a colorimetric analytical method. Billiton samples were 200 g splits of a 1 kg, 200 mesh homogenized sample. A split from each sample pulp was assayed for gold and copper, lead, zinc, molybdenum and arsenic, 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.

Sample preparation undertaken on the Candente Copper samples comprised drying, then crushing using a jaw crusher to >70% passing 10 mesh. The sample was thoroughly blended using a riffle splitter. A sub-split was taken, which was pulverized to >95% passing 150 mesh, and this pulp was submitted for analysis. Each sample was subject to total copper and sequential copper leaching analysis which returned results for acid-soluble, cyanide-soluble and residual copper grades. Total copper analysis was performed using a three-acid digest and AA finish. The sample for gold analysis was taken from the remaining pulps after copper analysis. The  $\pm 250$  g pulps were homogenized and a 30 g split was weighed out for fire assay fusion, cupelled to obtain a bead, and digested with aqua regia, followed by an AA finish, with a detection limit of 5 ppb Au. Actlabs used a 36-element inductively-coupled plasma optical emission spectrometry method. ALS Chemex performed a 33-element ICP atomic emission spectroscopy method.

There is no information on any quality assurance/quality control (QA/QC) programs for INGEMMET and Placer Dome. Billiton used blanks, standard reference materials (standards) and check assays. Chain-of-custody and sample preparation protocols were also part of Billiton's QA/QC program.

Candente Copper analytical programs included submission of duplicates, standards, blanks, and check assays. The QA/QC program results do not indicate any problems with the analytical programs. The copper, gold, and silver analyses from the core drilling are suitable for inclusion in Mineral Resource estimation.

Sample security has relied upon the fact that the samples were always attended or locked in the on-site sample preparation facility. Chain-of-custody procedures consist of filling out sample submittal forms that are sent to the laboratory with sample shipments ensure that all samples are received by the laboratory. Current sample storage procedures and storage areas are consistent with industry standards.

## **1.8 Data Verification**

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

Drill data collected from the INGEMMET, Placer Dome, and Billiton campaigns were re-logged by Candente Copper personnel, and nine of the drill holes have been re-assayed. Based on the correlations between the historical grades and the Candente Copper re-assay grades, all of the historical data were accepted into the final database. Three pairs of twinned holes were drilled by Candente Copper to verify grade uniformity at short distances. In general, similar average grades were noted over the same depth intervals.

In the QP's opinion, the data collected from the Project adequately support the geological interpretations and constitute a database of sufficient quality to support the use of the data in Mineral Resource estimation.

## **1.9 Metallurgical Testwork**

Initial metallurgical testwork on the Cañariaco Norte deposit was focused on leachable copper. However, as the Project has developed, and the mineralization was confirmed as primarily sulphide, conventional milling was determined to be a more appropriate process.

Several major phases of testwork were conducted on the Cañariaco Norte deposit. The first consisted of process development to define the type of processing most applicable to the mineralization. This was followed by more detailed work to optimize process conditions. This second phase was interrupted by the financial crisis of 2008. Definition work resumed in 2010 with further development of process parameters to allow primary equipment selection.

Testwork has included mineralogy, QEMSCAN examination, comminution and variability comminution tests, tests on the effects of grind sizes, collectors and pH, sulphidation, cleaner flotation tests and locked cycle tests. Concentrates were also produced for proof-of-concept testing to show that arsenic and antimony levels in concentrate could be reduced by using a roaster step, resulting in an enhanced concentrate which would have low or no penalty elements and would be broadly marketable.

The latest phase of variability testwork conducted in 2011 and 2012 was designed to improve the geometallurgical understanding of the deposit. The programs consistent on mineralogical characterization of the composites, additional comminution tests, and roughing and cleaning flotation optimization tests. The program demonstrated that a lower grade concentrate could be produced with low or no penalty element concentrations without the use of a roasting step.

The testwork recommended key design parameters, as follows:

- For a feed grade of 0.40% Cu, a recovery of 89.7% is forecast at the target grind;
- Recovery will vary with feed grade;
- The concentrate grade was 26% Cu, with arsenic being lowered to low or no penalty concentrations;
- The grind was established at 200 µm with a JKSimMet breakage parameter Axb value of 68; and
- Bond ball mill work index (BWi) of 11.1 kWh/t.

Copper recoveries are expected to vary with feed grade, ranging from 93.1% at 0.6% Cu and 58.8% at 0.1% Cu. The metallurgical response of gold and silver has not been assessed to the same degree as copper; however, based on the testwork completed to date, gold and silver recoveries are projected to be 64.7% and 57.2% respectively.

The work conducted in 2012 focused on establishing robust improvements and proposed solutions to deal with penalty elements. This resulted in a final flowsheet generating a low-grade copper concentrate to the smelter with arsenic content controlled to a level where no impact on concentrate marketability is anticipated over the 2022 PEA LOM.

No testwork has been completed to the Report effective date on the Cañariaco Sur deposit. Due to proximity of the mineralization to the Cañariaco Norte deposit, and a similar deposit setting, the recoveries for copper, gold, and silver forecast for the LOM for the Cañariaco Norte deposit are used in the Mineral Resource estimate for Cañariaco Sur. Until deposit-specific metallurgical testwork is available, the confidence category should be limited to Inferred, however.

## **1.10 Mineral Resource Estimation**

### **1.10.1 Cañariaco Norte**

Geological and alteration type interpretations were performed using north–south and east–west vertical sections that were spaced 100 m apart. Estimation domains were defined following evaluation of statistical distributions of lithological and alteration units. Seven domains were created for copper and four domains for gold and silver. The supergene layer in the Cañariaco Norte deposit is thin and laterally discontinuous, and the defined supergene-enriched domain was only used for copper estimation. Density values were assigned to blocks based upon the lithological codes.

Outlier grade values typically occur in the upper 1% of the distribution. Copper and gold values were capped at defined thresholds based on probability plots. For silver, outlier values were controlled during grade estimation by using a restricted search ellipse with a radius of 25 m x 25 m x 15 m.

Drill hole data were composited into 6 m lengths using no geological or domain boundaries.

Sage2001 software was used to construct down-hole and directional correlograms for the estimation domains for copper, gold and silver.

Copper, gold and silver grades were estimated by estimation domains using ordinary kriging (OK) interpolation for the majority of domains. Inverse distance weighting to the second power (ID2) was used to interpolate gold and silver in two domains where the variography was not considered sufficiently robust. Grade estimation was completed in three passes, and the search orientations for all domains used the applicable variogram orientations. A minimum of 3–11 and a maximum of 9–15 drill hole composites were required for estimation; this varied by element and estimation pass.

Validation of the estimate included visual inspection, a comparison between OK and nearest-neighbour (NN) estimates, swath plots, and examination of change of support correction using Hermetian polynomials. Neither material biases nor material estimation issues were noted.

Resource blocks were classified as follows:

- Measured Mineral Resources: composites from a minimum of three drill holes within 75 m radius from a block centroid, or samples from two drill holes with the closest sample within 25 m of the block centroid.
- Indicated Mineral Resources: composites from a minimum of two drill holes within 110 m distance of the block centroid; and
- Inferred: a composite within 135 m of the block centroid.

### 1.10.2 Cañariaco Sur

A grade shell using a 0.1% Cu threshold was created by implicit modelling. Outlier grade values typically occur in the upper 1% of the distribution. Copper, gold, silver and molybdenum values were capped at defined thresholds based on probability plots. There were an insufficient number of composites to allow modelling of robust variograms. A density of 2.5 t/m<sup>3</sup> was assigned to all material below topography.

Assay intervals were composited into 15 m lengths using the grade shell boundary to split the composites.

Copper, gold, silver and molybdenum grades were estimated using ID2. Grade estimation was completed in two passes, and the grade shell was considered as a hard boundary. A minimum of 3–8 and a maximum of 2–8 drill hole composites were required for estimation; this varied by element and estimation pass.

Validation of the estimate included visual inspection, a comparison between ID2 and NN estimates, and swath plots.

All blocks falling within the grade shell were classified as Inferred Mineral Resources.

### 1.10.3 Reasonable Prospects of Eventual Economic Extraction

Reasonable prospects of eventual economic extraction were assessed by constraining the estimate within a conceptual pit shell. Mineral Resources for Cañariaco Norte are reported at a cut-off grade of 0.15% Cu; which is above the breakeven cut-off grade of 0.12% Cu. Mineral Resources for Cañariaco Sur are also reported at a cut-off grade of 0.15% Cu.

## 1.11 Mineral Resource Statement

Mineral Resources for the Project were classified using the 2014 CIM Definition Standards. The independent Qualified Person for the Mineral Resource estimates is David Thomas, P.Geo.

Mineral Resources for Cañariaco Norte are provided in Table 1-1 and in Table 1-2 for Cañariaco Sur. The estimates have an effective date of 27 January 2022.

Mineral Resources from the Cañariaco Norte deposit support the 2022 PEA. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

**Table 1-1: Mineral Resource Statement for Cañariaco Norte at a 0.15% Cu Cut-off Grade**

Category	Tonnage (Mt)	Grade					Contained Metal		
		Cu (%)	Eq.	Cu (%)	Au (g/t)	Ag (g/t)	Copper (Blb)	Gold (Moz)	Silver (Moz)

Measured	423.5	0.48	0.43	0.07	1.9	4.04	0.98	25.71
Indicated	670.7	0.39	0.36	0.05	1.6	5.25	1.16	33.72
Measured + Indicated	1,094.2	0.42	0.39	0.06	1.7	9.29	2.14	59.43
Inferred	410.6	0.32	0.29	0.04	1.4	2.66	0.55	18.09

Notes to accompany Cañariaco Norte Mineral Resource table:

- The Mineral Resources estimate has an effective date of January 27, 2022. The Qualified Person for the estimate is David Thomas, P.Geo., of DKT Geosolutions Inc.
- The Mineral Resources were reported using the definitions set out in the 2014 CIM Definition Standards.
- Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
- The Mineral Resources are reported within a constraining Lerchs Grossmann pit shell developed using Hexagon's MinePlan 3D™ software using:
  - A copper price of US\$3.50/lb;
  - Mining cost of US\$1.60/t;
  - A combined processing, tailings management and G&A cost of US\$6.52/t;
  - Variable pit slope angles ranging from 36 to 39 degrees;
  - A copper process recovery of 88%;
  - Copper concentrate smelter terms: US\$75/dry metric tonne treatment charge, US\$0.075/lb refining charge and 96.2% payable;
  - Estimated concentrate shipping costs of US\$133.00/wet metric tonne of concentrate.
- Copper equivalent grades including contributions from gold and silver, were estimated using metal prices of copper: US\$3.50/lb, gold: US\$1,650 /oz, and silver: US\$21.50/oz, metallurgical recoveries of copper: 88%, gold: 65%; silver: 57%, and smelter payables of copper: 96.5%, gold: 93%, silver: 90%). Copper grade equivalent calculation:  $CuEq\% = (Cu\% + ((Au\text{ grade} \times Au\text{ price} \times Au\text{ recovery} \times Au\text{ smelter payable}\%) + (Ag\text{ grade} \times Ag\text{ price} \times Ag\text{ recovery} \times Ag\text{ smelter payable}\%))/(22.0462 \times Cu\text{ price} \times 31.1035\text{ g/t} \times Cu\text{ recovery} \times Cu\text{ smelter payable}\%))$ .
- All figures are rounded to reflect the relative accuracy of the estimate. Totals may not sum due to rounding as required by reporting guidelines.
- The contained metal figures shown are in situ.

**Table 1-2: Mineral Resource Statement for Cañariaco Sur**

	Cut-off Grade Cu (%)	Tonnes (Mt)	Grade		Contained Metal						
			Cu Eq. (%)	Cu (%)	Au (g/t)	Ag (g/t)	Mo (ppm)	Copper (Blb)	Gold (Moz)	Silver (Moz)	Moly (Mlb)
Inferred	0.15	384.5	0.32	0.26	0.10	1.2	22	2.22	1.18	15.02	18.91

Notes to accompany Cañariaco Sur Inferred Mineral Resource table:

- The Mineral Resource estimate has an effective date of January 27, 2022. The Qualified Person for the estimate is David Thomas, P.Geo., of DKT Geosolutions Inc.
- The Mineral Resources were reported using the definitions set out in the 2014 CIM Definition Standards.
- A single 0.1% Cu grade shell domain was constructed using implicit modelling.
- Raw drill hole assays were composited to 15 m lengths broken at domain boundaries.
- Capping of high grades was considered necessary and was completed on assays prior to compositing. Copper assays were capped to a 0.8% threshold and gold assays were capped at a threshold of 1 g/t.
- Block grades for gold were estimated from the composites using ordinary kriging interpolation into 20 x 20 x 15 m blocks coded by the 0.1% Cu grade shell.
- The mineral resource is reported above a 0.15% Cu cut-off grade.
- A dry bulk density of 2.5 g/cm<sup>3</sup> was used for all material.
- The Mineral Resources are reported within a constraining Lerchs Grossmann pit shell developed using Hexagon's MinePlan 3D™ software using:
  - A copper price of US\$3.50/lb;
  - Mining cost of US\$1.60/t;
  - A combined processing, tailings management and G&A cost of US\$6.52/t;
  - 45-degree pit slope angles;
  - A copper process recovery of 88%;
  - Copper concentrate smelter terms: US\$75/dry metric tonne treatment charge, US\$0.075/lb refining charge and 96.2% payable;
  - Estimated concentrate shipping costs of US\$133.00/wet metric tonne of concentrate.
- Copper equivalent grades including contributions from gold, silver and molybdenum, were estimated using metal prices of copper: US\$3.50/lb, gold: US\$1,650/oz, silver: US\$21.50/oz and molybdenum: US\$11.00/lb; metallurgical recoveries of copper: 88%, gold: 65%; silver: 57% and molybdenum: 60% and smelter payables of copper: 96.5%; gold: 93%; silver: 90% and molybdenum: 100%. Copper grade equivalent calculation:  $CuEq\% = (Cu\% + ((Au\text{ grade} \times Au\text{ price} \times Au\text{ recovery} \times Au\text{ smelter payable}\%) + (Ag\text{ grade} \times Ag\text{ price} \times Ag\text{ recovery} \times Ag$

smelter payable%)+(Mo grade x Mo price x Mo recovery x Mo smelter payable%)/(22.0462 x Cu price x 31.1035 g/t x Cu recovery x Cu smelter payable%).

11. There is currently no metallurgical testwork on Cañariaco Sur mineralization. Cañariaco Norte average recoveries were applied for conceptual pit shell generation and CuEq estimations.
12. All figures are rounded to reflect the relative accuracy of the estimate. Totals may not sum due to rounding as required by reporting guidelines.
13. The contained metal figures shown are in situ.

Factors that may affect the Mineral Resource estimate include: metal price and exchange rate assumptions; changes to the assumptions used to generate the copper grade cut-off grade; changes in local interpretations of mineralization geometry and continuity of mineralized zones; changes to geological and mineralization shape and geological and grade continuity assumptions; density and domain assignments; changes to geotechnical, mining and metallurgical recovery assumptions; changes to the input and design parameter assumptions that pertain to the conceptual pit constraining the estimates; and assumptions as to the continued ability to access the site, retain mineral rights, obtain surface rights to allow mine construction and operations, obtain environment and other regulatory permits, and obtain the social license to operate. In particular, any changes to the slope angle of the pit wall as a result of more detailed geotechnical information would affect the pit shell used to constrain the Mineral Resources.

## 1.12 Mining Methods

The 2022 PEA is preliminary in nature and is partly based on Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the 2022 PEA based on these Mineral Resources will be realized.

Mining will be conducted using conventional open pit methods and conventional equipment. Mill feed and waste will be drilled, blasted and loaded by electric hydraulic face shovels and front-end loaders from 15-m-high benches. Haul trucks will haul above cut-off mineralized material to the mineralized material crusher, or short-term stockpile as required. Waste will be hauled during pre-production to the planned co-disposal (dry-stack) waste rock and tailings storage facility (WSF), and during production to the waste crusher to be located near the mineralized material crusher. During production, crushed waste will be conveyed to the plant site where it will be combined with dewatered tails and stacked at the WSF. Based on earlier internal desktop trade-off studies, the mine plan considers an initial 40 kt/d processing rate which is later doubled to 80 kt/d in production Year 7. The peak mining capacity is 54.6 Mt/a.

The mine planning was performed using metal prices of US\$3.25/lb Cu, US\$1,550/oz Au and US\$20/oz Ag. Measured, Indicated, and Inferred Mineral Resources were considered for processing.

Knight Piésold completed a preliminary level slope stability evaluation for the proposed Cañariaco Norte open pit (February, 2012), which is considered suitable for PEA-level mine planning. Preliminary pit slope angles were determined in accordance with a review of selected geotechnical information and corresponding data analysis. Inter-ramp slope angles will range from 40–48°. The recommended pit slope angles are considered reasonable for the early-stage pit phases within the central area of the deposit. Slope configurations for the ultimate pit are largely extrapolated from limited data and experience with other large open pit operations. A detailed review of the existing drill core is required to assess geotechnical drilling requirements. Additional geotechnical analysis will be required to support FS level pit slope designs for the Cañariaco Norte project.

Hydrological studies indicated that maximum pit inflows would be approximately 1,700 m<sup>3</sup>/day after 16 years of mining. The significant pit high wall (>900 m) means that active dewatering will be required to stabilize the slope. An allowance for horizontal drains was included in the mine operating cost estimate. The possible need for vertical dewatering wells has not been considered at this time.

Dilution and mining loss adjustments were made in the block model. The mineralization is generally gradational across the mineralization/waste contacts. A diluted block density was calculated on a volume weighted basis. The diluted grades were calculated on a tonnage weighted basis. The resulting average percentage reduction in grades from the undiluted mineral resource grades were 0.5%, 0.22% and 0.19% for copper, gold and silver respectively. The diluted bulk density and grades were then used for all net smelter return (NSR) calculations and production reporting. An additional 2% of mining loss was applied to account for carry back and mineralization routing errors.

The open pit ultimate size and phasing shape guidance were determined by generating nested revenue factor (RF) Lerchs–Grossmann (LG) pit shells, utilizing various input parameters including estimates of the expected mining, processing and general and administrative (G&A) costs, as well as metallurgical recoveries, pit slopes and reasonable



long-term metal price assumptions. The mining costs were estimated based on first principles cost buildup for bulk mining in 15-m benches using vendor provided equipment pricing, consumables costs and labour costs from previous work completed by AGP Mining Consultants Inc (AGP). Process and G&A costs were provided by Ausenco based on earlier internal studies.

Four phase designs were developed for the planned single open pit. Multiple phases were designed to release mineralized material in a timely manner and to smooth out stripping requirements on an annual basis. The nested pit optimization shells used to determine the ultimate pit were also used to outline areas of higher value for targeted early mining and phase development.

The ultimate pit design was based on the RF 0.55 LG shell. The overall dimensions of the ultimate pit are approximately 2,000 m in the north–south direction, 1,700 m in the east–west direction and a 930 m maximum depth. It will have a single ramp exit point at the 2,680 m elevation, providing access to the mill feed and waste crushers, as well as the truck shop and fuel bay.

Ramps widths were based on the use of 218-t rigid-frame haul trucks. The operating width used for the truck is 9.0 m. Single-lane roads will be 27.1-m wide (twice the operating width plus berm and ditch) and double lane widths will be 36.1 m (three times the operating width plus berm and ditch). Ramp gradients planned to be 10% both in the pit and ex-pit for uphill gradients. Working benches were designed for a 90-m minimum mining width. Pioneering road development will be significant, and pit phase designs require internal ramps in their highwalls to access later pit phases. Descent rates were limited to 12 benches per year. The mine is scheduled to work 365 d/a, with five days worth of delay time due to weather disruptions. The plant is scheduled to operate 365 d/a.

The steep topography in the upper elevations of the pit designs has resulted in designs and a mining schedule that has front-loaded significant quantities of waste stripping. Refinements from future iterations of road access and phase designs may be able to improve upon the current designs and reduce capitalized stripping costs.

Mine planning was performed based on marginal cut-offs applied to the NSR grade item. During the initial Project phase when the concentrator is operating at 40 kt/d, the marginal cut-off is the sum of the mill feed based operating costs, (processing, G&A and tailings management), which is US\$7.91/t. When the process rate increases to 80 kt/d, the marginal cut-off decreases to US\$6.52/t. No long-term stockpiling of low-grade material has been considered. Within the ultimate pit, at the US\$6.52/t NSR cut-off the classification breakdown of the mill feed material is 54% Measured, 38% Indicated and 8% Inferred.

Three years of pre-production mining activities are required to develop approximately 8 km of cut-and-fill haul roads to connect the upper elevations of the Phase 1 and 2 pits to the truck shop area, the mineralized material and waste crushers, and to the WSF, conduct road building/pioneering, and to strip 35.0 Mt of waste rock from the pit, exposing initial mill feed material, and hauling the waste directly to the base of the WSF. Pre-stripping will be performed in Years -2 and -1.

Mill feed delivery to the crusher in the first production year is forecast at 11.1 Mt. In production Year 2 through Year 6, the full 14.6 Mt (40,000 t/d) will be delivered to the crusher area. In Year 7, the production rate will increase to 26.3 Mt. During Year 8 through Year 27, the full 29.2 Mt (80,000 t/d) will be delivered. The last year of production, Year 28, will be a partial year with 8.2 Mt processed.

The pit operations will work two 12-hour shifts per day with four crews on a standard rotation. Engineering, geology and some operations supervisory / support positions will be on day only 12-hour shifts which will rotate weekly.

Equipment requirements include 35 m<sup>3</sup> electric hydraulic face shovels, 33 m<sup>3</sup> front-end loaders, 218 t electric-drive haul trucks, drill rigs that can drill 270 mm and 160 mm diameter drill holes, and a fleet of track dozers, wheel dozers, and graders.

A bulk loaded blended emulsion product will be used for blasting.

### **1.13 Recovery Methods**

The processing plant will be built in two phases. Phase 1 will have a nominal throughput of 14.6 Mt/a during the first six production years. Phase 2 will double the annual production by adding a parallel line, from the mill feed stockpile to concentrate and tailing filtration and will have the same equipment and layout as the Phase 1 process line. The plant is designed to operate 24 hours per day, 365 days per year with an overall plant availability of 92%.

The process plant selected is a conventional copper concentrator and the process design is typical of a concentrator treating copper sulfide ores. The process plant feed will be supplied from the open pit mine with a LOM average feed grade of 0.39% Cu and will produce a copper concentrate containing 26% Cu.

The process plant will include the following units, processes, and facilities:

- Primary crushing of ROM mill feed and waste rock;
- Overland conveyor system to transport ore and waste, in discrete lots, to tripper conveyor and separate stockpiles near the process plant ;
- Coarse ore stockpile and reclaim system;
- Coarse waste stockpile and reclaim system;
- Mill feed material grinding including a SAG mill, pebble recycle crusher and ball mill in closed circuit with hydrocyclones;
- Copper flotation;
- Rougher flotation followed by two-stage regrind of rougher concentrate;
- Three-stage cleaner flotation of regrind concentrate to achieve final concentrate grade;
- Cleaner–scavenger flotation to maximize copper recovery;
- Flotation concentrate thickening, filtering, and transport;
- Tailings thickening, filtering, and conveying with waste rock in the WSF;
- Reagent storage and distribution; and
- Water services and management (process water, treated water, raw water).

## **1.14 Project Infrastructure**

### **1.14.1 Location**

The mine site facilities are divided into four general areas: the mine, the crusher (that include buildings and structures for repair and maintenance of mine and plant equipment), the plant site, 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, communication systems and waste disposal facilities at the site.

The site was selected on a natural elevated area on close to existing road and away from watersheds and so that the mine infrastructure area (MIA) and crusher/ROM pad are close to the mine pit to minimize the hauling distance, and to keep the ROM pad activities away from the administration area.

### **1.14.2 Roads and Access**

Road access to the site will be via the Corral Quemado Road, which runs along the Huancabamba Valley. The main access road to the plant site and camp site will be constructed off the Corral Quemado Road. The entrance to the road will be controlled, thereby restricting the road to authorized vehicles only. All users will need two-way radios, as the road is planned to be radio-controlled to increase safety and usability. The mine site will need a network of general vehicle access roads around facilities, service roads to remote structures, and haul roads.

### **1.14.3 Co-disposal Waste and Tailings Storage Facility**

A co-disposal facility is envisaged for waste rock and tailings storage. Approximately 697 Mm<sup>3</sup> of mine waste will be stored within the WSF, including 439 Mm<sup>3</sup> of filtered tailings and 258 Mm<sup>3</sup> of waste rock. The WSF is not expected to behave like a conventional mine waste facility because of the large proportion of stored tailings and will be constructed with perimeter berms of waste rock to provide containment of the filtered tailings and provide erosion

protection for the overall structure. The WSF was classified as significant or moderate under both Canadian Dam Association and the British Columbia Mine Waste Rock Pile Research Committee “Investigation and Design Manual”.

During pre-production and operations, mine waste will be crushed and conveyed to the plant site by conveyor. The mine waste will be transferred to the WSF conveyor to be placed in the WSF. It is assumed that the pre-production waste rock will be non-acid generating (NAG), and any PAG waste rock will be mixed to mitigate any metals leaching or acid rock drainage (ML/ARD). During operations the waste rock delivered to the plant area will be conveyed by itself to the WSF to build exterior berms or conveyed with filtered tailings for co-mingle disposal in the WSF using two conveyor systems. Based on the potential acid generation of materials, calcium carbonate will be added as part of the ARD mitigation measures. It is assumed that PAG materials will become more prevalent with depth. After Year 6, there will be insufficient waste rock to co-mingle with the tailings waste stream. Therefore, the waste rock will be used to develop exterior berms and the balance will be co-mingled with tailings near the front of the facility to improve physical stability.

The WSF will be constructed in seven phases over the 28-year mine life. The WSF will include a contact water management pond (CWMP) downstream of the facility, surface water management structures, rock drains, access road, waste conveyor system, equipment for spreading and compacting materials, and a water reclaim pipeline.

Instrumentation and monitoring will be required to assess embankment performance. Vibrating wire piezometers will be installed to monitor pore pressure within the embankment fill materials and slope inclinometers and survey monuments will be installed to monitor slope movement and deformation.

#### **1.14.4 Water Supply and Management**

Raw water for potable and process make-up, and other uses at the mine site, will be obtained from pit stormwater pond filled by pit surface water runoff and rainwater and from the WSF CWMP.

Process water for the plant will come from three sources: the CWMP in WSF, process plant run-off water in the settling pond, and overflow from the process water tank. The thickener overflow and WSF reclaim will be the primary water sources.

The surface of the filtered tailings and waste rock within the WSF will be graded to encourage flow to defined surface water collection points. The collected surface water will be directed to the CWMP. The water stored in the CWMP will be used as a source of make-up water for the process plant. Any water in excess of the process plant requirement (if any) will be directed to the water treatment plant (WTP) and released in the drainage below the CWMP.

A site-wide water balance was completed to estimate the quantity of mine site contact water expected to be managed during operations. The process plant water demands will range from 625 m<sup>3</sup>/hr to a maximum of 2,228 m<sup>3</sup>/hr over the life of the Project. A water treatment plant with a capacity to treat up to 144 m<sup>3</sup>/hr will be required to treat excess effluent.

#### **1.14.5 Built Infrastructure**

The mine design includes provision for a truck shop, truck wash station, mill maintenance shop, bulk emulsion plant, an ammonium nitrate storage facility, and a detonator storage magazine, and a camp and administration area.

#### **1.14.6 Power and Electrical**

Electrical power will be supplied to the Project site by a 220 kV overhead transmission line from the local utility substation at Carhuaquero, a distance of 55 km from the mine site. The incoming transmission line will terminate at a new main site substation where it will be stepped down from 220 kV to the site distribution/utilization level of 25 kV. The anticipated total connected load for operation is 119 MW in Phase 1 (Years 1–6) and 171 MW for Phase 2 (Years 7–28).

The pit dewatering pumps will be diesel powered. Power required for the water treatment plant will be produced by diesel generating sets.

## 1.15 Environmental, Permitting and Social Considerations

The Project is located on the surface land of the Community of San Juan de Cañaris. Baseline studies, investigations and field work were carried out in 2021 by Yaku Consultants for the development of the semi-detailed Environmental Impact Assessment (EIASd 2021). Earlier studies supported the development of the 2012 EIASd prepared by AMEC and approved by Directorial Resolution No. 177-2012-MEM/AAM in May 2012. In addition, AMEC conducted baseline studies for a detailed EIA from 2007 to 2014. This detailed EIA was considered to be approximately 80% complete but will now need more work to be completed. Plans are underway to meet with SENACE and get this work started.

### 1.15.1 Environmental Considerations

Completed baseline studies include:

- Air quality: concentrations obtained for the parameters analyzed show that they do not exceed the National Environmental Quality Standards (ECAs) established for each parameter;
- Noise: most stations complied with the ECA for daytime and night-time hours during the entire analysis period in 2012; however, in 2021, two stations had elevated levels, associated with the circulation of vehicles on the road near these stations and the presence of strong winds;
- Hydrography, hydrology and hydrogeology: almost the entire study area is located within the sub-watershed of the Jatun Yacu River, which is part of the upper watershed of the Cañariaco River;
- Soils: land was classified as either of low agricultural quality or having a higher-use capacity;
- Water quality: concentrations obtained for the parameters analyzed show that they generally do not exceed the National Environmental Quality Standards (ECAs) established for each parameter. During 2012, total nitrogen, ammonia and copper exceeded ECA values at some monitoring points;
- Ecosystem assessments: four ecosystems were defined in the Project area, including montane forest, grassland, shrub thicket, and coastal/Andean agriculture;
- Flora: a total of 473 species of flora were recorded during wet and dry season surveys, distributed in 41 orders, 84 families and 238 genera. Species of concern under national legislation, S. D. N° 043-2006-AG, the International Union for Conservation of Nature (IUCN) listings, and the Convention on International Trade in Endangered Species (CITES) Appendix II. None of the species of concern were endemic to the Project area;
- Fauna: information was collected on mammal, bird, reptile and fish species during wet and dry season surveys. The presence of species of concern were recorded. None of the mammal species is currently endemic to Peru. One bird species, *Thaumasius taczanowskii* "Taczanowski's Hummingbird, is endemic. No fish were present in either season, and the absence of fish was confirmed by interviews with local residents.

The Surface Water Management Plan will preserve the "no contact" status of surface waters to the maximum extent practicable. Waters that come into contact with Project facilities will be contained and treated if necessary, so that any water released to the environment will always meet applicable water quality regulatory guidelines. A system of impoundments, embankments, detour, and spillways will be developed immediately upon commencement of construction to manage runoff from construction-related activities. This system will continue to be developed throughout construction and operations to ensure that water discharged to the environment meets guidelines.

The Project will affect two main catchment areas: the Cañariaco valley, where most of the facilities (the WSF, open pit and process plant, camp) will be constructed, and the Quebrada Yerma valley, which is the proposed location of the WSF. Design criteria for the various diversions and containment facilities will be consistent with Peruvian regulations and international best practices.

Water will be impounded upstream of the WSF to supply the freshwater replenishment requirements of the process plant. A diversion channel will be constructed to direct excess water from the Cañariaco River around the WSF. Contact water from the facilities in the well area, the process plant, and the WSF will be collected immediately downstream of the WSF and used as mill make-up water; the excess will be discharged to the Cañariaco River following water treatment. Because the mill is expected to consume most of this water, the site water balance indicates that such discharges are only expected towards the end of the mine life.

### **1.15.2 Closure and Reclamation Considerations**

Site reclamation will comply with Peruvian environmental regulations and the International Finance Corporation (IFC) Environmental, Health and Safety Guidelines for Mining (IFC, 2007). The IFC guidelines state that closure and post-closure activities should be considered as early as possible in the planning and design stages.

The reclamation and closure plan will evolve hand-in-hand with the design as the Project progresses through feasibility and necessary permitting. Site-specific knowledge will be acquired during mine development and operations, and the closure plan will be updated to incorporate this knowledge in addition to the environmental and social conditions and circumstances at the time of closure.

The economic analysis in the 2022 PEA assumes a closure cost of US\$104 M.

### **1.15.3 Permitting Considerations**

The main permitting requirements identified to date for the commencement of construction and mining operations are summarized as follows.

- Environmental studies and permits;
- Water authorization;
- Archaeological assessment;
- Closure plan;
- Mining operation certificate (MOC);
- Easement by agreement;
- Construction permit;
- Municipal permits to build;
- Labour permits;
- Surface water use license;
- Groundwater use license;
- Sanitary authorization for wastewater treatment;
- Permits to build roads;
- Deed of transportation of controlled substances and products;
- Beneficiation Concession (necessary to process the mineral); and
- Authorization to start operation.

### **1.15.4 Social Considerations**

In 2007, 2010, May 2011 and June 2014, archaeological evaluations were carried out, the results of which were presented as part of the EIAsd and the Modification of the EIAsd, approved by Directorial Resolution No. 177-2012-MEM/AAM and Directorial Resolution No. 462-2014-MEM/DGAAM, respectively. In October 2021, Yaku Consultants conducted an archaeological assessment to complement the evaluation of the proposed study area. No archaeological sites of significance were identified in the surveys.

The public consultation and engagement process for the preparation of the 2012 EIAsd was carried out in accordance with the provisions of D.S. N° 028-2008-EM (Regulations for Citizen Participation in the Mining Sub-Sector) and according to the rules approved by Ministerial Resolution (M.R.). N° 304-2008-MEM/DM, which details the participation mechanisms to be implemented at different stages of the development of a mining project.

### **1.16 Markets and Contracts**

No market studies or product valuations were completed as part of the 2022 PEA. Market price assumptions were based on a review of public information, industry consensus, standard practiced and specific information from comparable operations in the region.

Copper concentrates are widely traded. Concentrates can be marketed directly from producer (mine) to smelter, or through third party concentrate trading entities. The lack of investment in new copper mines and expansions to existing operations contribute to a widely held belief that there will be increasing demand for copper concentrates in this decade and beyond. The expected supply constraint is further exacerbated by a world copper demand that is expected to increase on basis of emerging, copper-dependant technologies, such as electronic vehicles and renewable energy, and continued urbanization of the world's population.

Project economics were estimated based on long-term metal prices of US\$3.50/lb Cu, US\$1,650/oz Au and US\$21.50/oz Ag, which was established by Candente Copper in conjunction with consensus forecasts from various financial institutions.

The QP notes that Candente Copper's pricing used in the cash flow analysis is reasonably aligned with various long-term forward-looking estimates.

No contracts for transportation or off-take of the concentrates are currently in place, but if and when they are negotiated, they are expected to be within industry norms. Similarly, there are no contracts currently in place for supply of reagents, utilities, or other bulk commodities required to construct and operate the Project.

### 1.17 Capital Cost Estimates

Capital costs are provided in Q4 2021 US\$. The estimate uses AACE International (AACE) guidelines and is reported as an AACE Class 5 Order of Magnitude/Conceptual Study estimate with a -30% to +50% accuracy. Exchange rates used include US\$1.00 = PENS/4.00, and US\$1.00 = C\$/1.29.

The overall capital cost estimate was developed by Ausenco with contributions from AGP for the mining cost estimates. Costs were separated into initial and sustaining capital costs, and further subdivided out into what will be needed for the first project phase (40 kt/d) and expansion phase (80 kt/d). Initial capital costs consisted of:

- Direct: those costs that pertain to the permanent equipment, freight, materials and labour associated with the physical construction of the facilities including refurbishment costs. Contractor's indirect costs, which include contractor's distributable costs, are contained within the direct costs;
- Indirect: all costs that are necessary for project completion but not related to the direct construction cost and incurred by the Owner, engineer or consultants in project design, procurement, construction, and commissioning to support during the construction period.

A breakdown of capital cost figures by major work area is presented in Table 1-3 for the first project phase, and for the expansion phase.

**Table 1-3: Capital Cost**

WBS	Description	Total for Phase 1 (US\$M)	Total for Phase 2 (US\$M)
0200	Sitewide water services	7.4	1.1
0300	Sitewide power & lighting	7.1	-
2000	Mining	189.2	-
3000	Process plant	360.3	204.3
4000	Site services and utilities	6.7	0.6
5000	Internal infrastructure	134.8	1.5
6000	External Infrastructure	38.5	-
	<b>Total Direct Cost</b>	<b>744.0</b>	<b>207.5</b>
7000	Common construction facilities and	62.5	14.7
8000	Engineering, procurement &	74.6	27.8
9100	Owner's costs	13.7	5.0
9900	Contingency	148.3	50.0

WBS	Description	Total for Phase 1 (US\$M)	Total for Phase 2 (US\$M)
	Total Indirect Cost	299.2	97.4
	Total Capital Cost	1043.1	304.9

Note: Totals may not sum due to rounding

Sustaining capital costs consist of cost allocations for mining and the WSF and are summarized in Table 1-4.

**Table 1-4: Sustaining Capital Cost**

Description	Total Cost (US\$M)
Total mining	64.2
Total internal infrastructure	54.8
<b>Total Sustaining Capital Cost</b>	<b>119.0</b>

### 1.18 Operating Cost Estimates

Operating costs are provided in Q4 2021 US\$. The estimate uses AACE guidelines and is reported as an AACE Class 5 Order of Magnitude/Conceptual Study estimate with a -30% to +50% accuracy. Exchange rates used include US\$1.00 = PENS/4.00, and US\$1.00 = C\$/1.29.

Mine operating costs were estimated from first principles with vendor quotations for repair and maintenance costs and other suppliers for consumables. Key inputs to the mine cost are fuel and labour.

Process operating cost were developed based on the production of copper concentrate at plant feed rates and waste handling strategy as per the production schedule. The estimate includes average annual processing costs for power, consumables, maintenance consumables and labour.

The G&A operating costs were estimated based on benchmarked data from similar projects in similar locations. Costs include camp operations, G&A personnel, off-site offices, contracts, and vehicle maintenance, as well as miscellaneous project costs.

The operating costs for the WSF include the mechanical spreading and compacting equipment, water truck for dust suppression. The conveyor and stacking equipment, and CWMP pump and pipeline to the plant and water treatment plant are located in the processing operating cost. The mechanical equipment operating costs were estimated based on benchmark data from similar projects in similar locations. The costs include fuel, equipment maintenance, and labor.

A summary of the individual components that make up the LOM operating costs is presented in Table 1-5.

**Table 1-5: Summary of Operating Cost Estimate**

On-site Costs	LOM		Phase 1		Phase 2	
	US\$/t Milled	US\$/lb Cu	US\$/ t Milled	US\$/lb Cu	US\$/ t Milled	US\$/lb Cu
G&A	0.70	0.10	1.17	0.13	0.64	0.10
Mining	2.62	0.38	6.57	0.77	2.08	0.31
Processing	4.76	0.69	5.54	0.65	4.65	0.70

WSF	0.12	0.02	0.23	0.03	0.11	0.02
<b>Total On-site Costs</b>	<b>8.21</b>	<b>1.19</b>	<b>13.51</b>	<b>1.57</b>	<b>7.49</b>	<b>1.12</b>
<b>Off-site Costs</b>	<b>US\$/t Milled</b>	<b>US\$/lb Cu</b>	<b>US\$/ t Milled</b>	<b>US\$/lb Cu</b>	<b>US\$/ t Milled</b>	<b>US\$/lb Cu</b>
Concentrate transport	1.65	0.24	2.06	0.24	1.60	0.24
Smelting and refining	1.51	0.22	1.88	0.22	1.46	0.22
Royalties	0.12	0.02	0.15	0.02	0.11	0.02
<b>Total off-site costs</b>	<b>3.32</b>	<b>0.48</b>	<b>4.10</b>	<b>0.48</b>	<b>3.21</b>	<b>0.48</b>
Credits (gold, silver)	(2.67)	(0.39)	(3.72)	(0.43)	(2.52)	(0.38)
<b>Total Operating Cost</b>	<b>8.86</b>	<b>1.28</b>	<b>13.89</b>	<b>1.62</b>	<b>8.17</b>	<b>1.23</b>

The C1 cost of US\$1.28/lb of payable copper consists of mining, processing, site G&A, off-site treatment and refining, transport, and royalties net of by-product credits (gold and silver). The C3 cost of US\$1.39/lb of payable copper includes the C1 costs plus sustaining capital, expansion capital, and closure costs.

### 1.19 Economic Analysis

The 2022 PEA is preliminary in nature and is partly based on Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the 2022 PEA based on these Mineral Resources will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

The Project was evaluated using a discounted cash flow (DCF) analysis based on an 8% discount rate. Cash inflows consisted of annual revenue projections. Cash outflows consisted of capital expenditures, including pre-production costs; operating costs; taxes; and royalties. These were subtracted from the inflows to arrive at the annual cash flow projections. Cash flows were taken to occur at the mid-point of each period. The economic analysis was run on a constant dollar basis with no inflation.

Key assumptions included:

- Construction period of three years;
- Mine life of 28 years (last year is a partial year);
- 100% ownership;
- 0.5% NSR royalty;
- All metal products are sold in the same year they are produced;
- Project revenue is derived from the sale of copper concentrate inclusive of gold and silver credits.

The taxes assumed in the economic analysis include:

- Peruvian corporate income tax of 29.5% (plus 2% during the term of an assumed stability agreement);
- Employee profit sharing of 8% of taxable income; and



- Mining taxes for the exploitation of mineral resources based on the operating profit (mining royalties on a sliding scale of 1% to 12% with a minimum of 1% of sales and special mining tax on a sliding scale of 2% to 8.4%).

Under the Peruvian mining regime, local mining companies may enter into stability agreements of guarantees and investment promotion measures that guarantee the following for 10, 12, or 15 years. A 15-year term was assumed; the requirements for this term length are either mine 15,000–20,000 t/d mineralization, or to invest a minimum amount of US\$500 M in a project.

The economic analysis was performed assuming an 8% discount rate. The pre-tax NPV discounted at 8% is US\$2,022.5 M; the internal rate of return (IRR) is 21.6%, and payback period is 6.1 years. On a post-tax basis, the NPV discounted at 8% is US\$1,010.3 M; the IRR is 16.3%, and payback period is 7.1 years. The cashflow results are summarized in Table 1-6.

**Table 1-6: Economic Analysis Summary Table**

<b>General</b>		<b>LOM Total / Avg.</b>	
Copper price (US\$/lb)		3.50	
Gold price (US\$/oz)		1,650	
Silver price (US\$/oz)		21.50	
Mine life (years)		28	
Total waste tonnes mined (Mt)		465	
Total mill feed tonnes (Mt)		703	
Strip ratio		0.66	
<b>Production</b>		<b>LOM Total / Avg.</b>	
Mill head grade - copper (%)		0.38	
Mill head grade - gold (g/t)		0.07	
Mill head grade - silver (g/t)		1.69	
Mill recovery rate - copper (%)		88.12	
Mill recovery rate - gold (%)		64.67	
Mill recovery rate - silver (%)		57.18	
Total mill recovered - copper (mlb)		5,225	
Total mill recovered - gold (koz)		960	
Total mill recovered - silver (koz)		21,889	
Total average annual payable production - copper (mlb)		173	
Total average annual payable production - gold (koz)		31	
Total average annual payable production - silver (koz)		704	
<b>On-site Costs</b>		<b>LOM Total / Avg.</b>	
		<b>US\$/t processed</b>	<b>US\$/lb Cu</b>
Mining		2.62	0.38
Processing		4.76	0.69
WSF		0.12	0.02
General & administration		0.70	0.10
Total on-site costs		8.21	1.19
<b>Off-site Costs</b>		<b>LOM Total / Avg.</b>	

	US\$/t concentrate	US\$/lb Cu
Concentrate transport	\$127.47	\$0.24
Smelting & refining	\$119.10	\$0.22
Total off-site costs	\$246.57	\$0.46
By-product credits (gold, silver)	-	(\$0.39)
<b>Cash Costs</b>	<b>LOM Total</b>	
C1 Cost * (US\$/lb Cu)	\$1.28	
C3 Cost ** (US\$/lb Cu)	\$1.39	
<b>Capital Costs</b>	<b>LOM Total</b>	
Initial capital (US\$M)	\$1,043	
Expansion capital (US\$M)	\$305	
Sustaining capital (US\$M)	\$119	
Closure costs (US\$M)	\$104	
<b>Financials</b>	<b>Pre-Tax</b>	<b>Post-Tax</b>
NPV (8%) (US\$M)	\$2,023	\$1,010
IRR (%)	21.6%	16.3%
Payback (years)	6.1	7.1

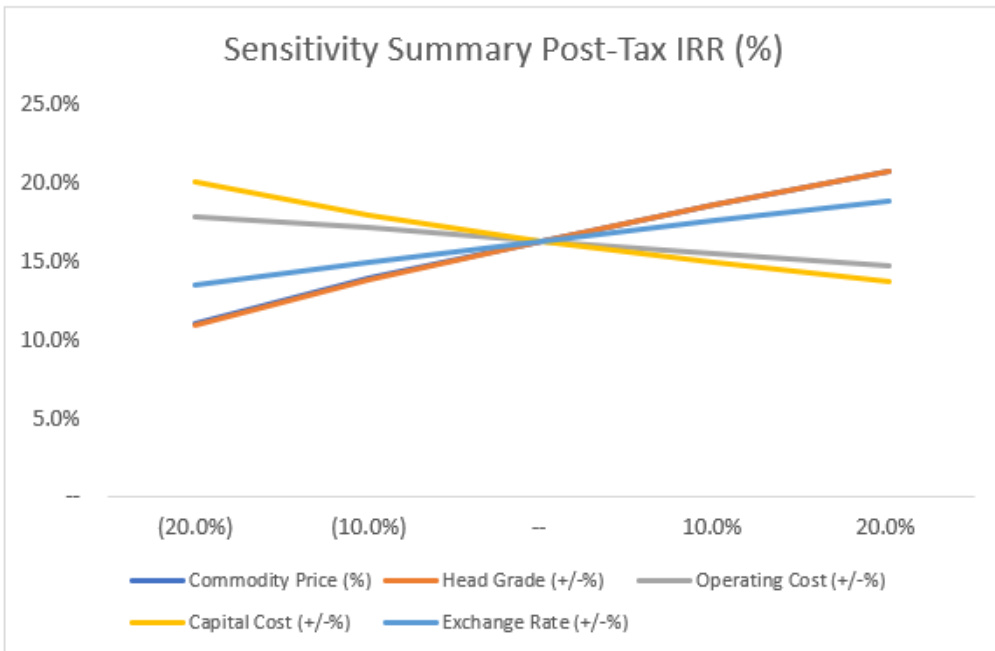
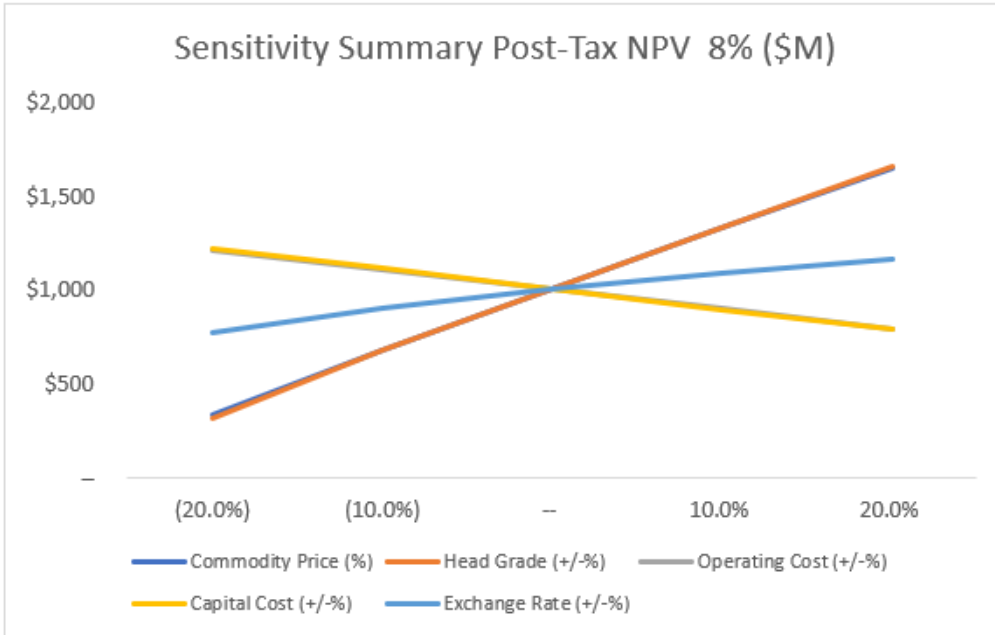
Note: \* C1 costs consist of mining, processing, site G&A, off-site treatment & refining, transport, and royalties net of by-product credits (gold and silver).

\*\* C3 costs consist of C1 plus sustaining capital, expansion capital, and closure.

## 1.20 Sensitivity Analysis

A sensitivity analysis was conducted on the base case pre-tax and post-tax NPV and IRR of the Project, using the following variables: commodity prices, discount rate, total operating cost, total capital cost, head grade, and foreign exchange rate. The Project is most sensitive to changes in commodity price and head grade. In order of decreasing sensitivity, the project is less sensitive to changes in total capital cost, total operating cost, and foreign exchange rate. Figure 1-1 shows the post-tax sensitivities to NPV and IRR, and Figure 1-2 shows the pre-tax sensitivities to the same variables.

**Figure 1-1: Post-Tax NPV and IRR Sensitivity Results**



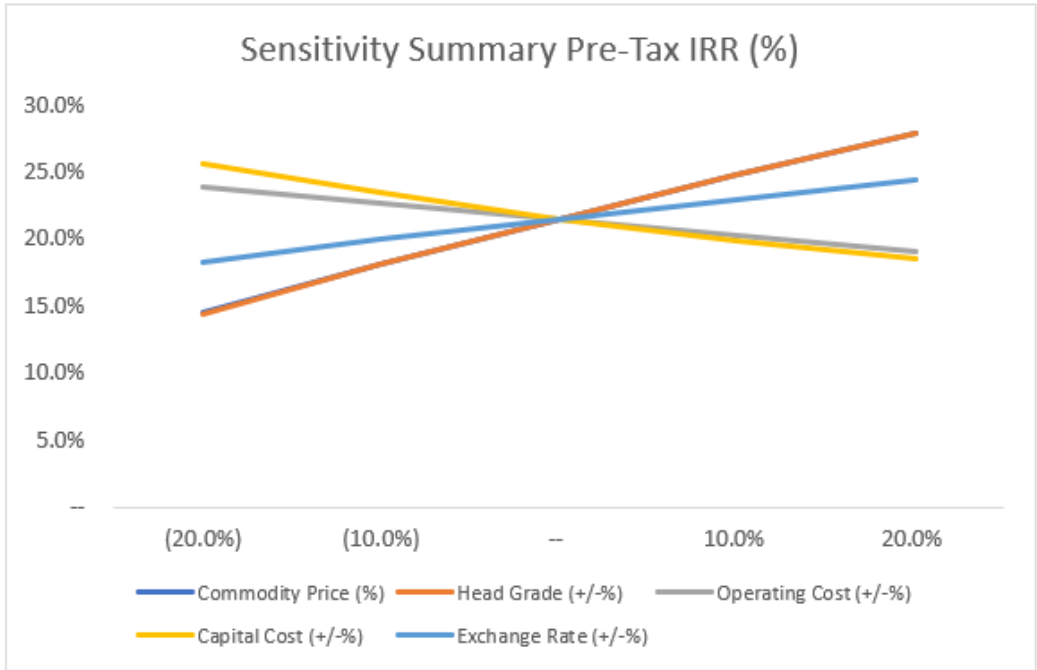
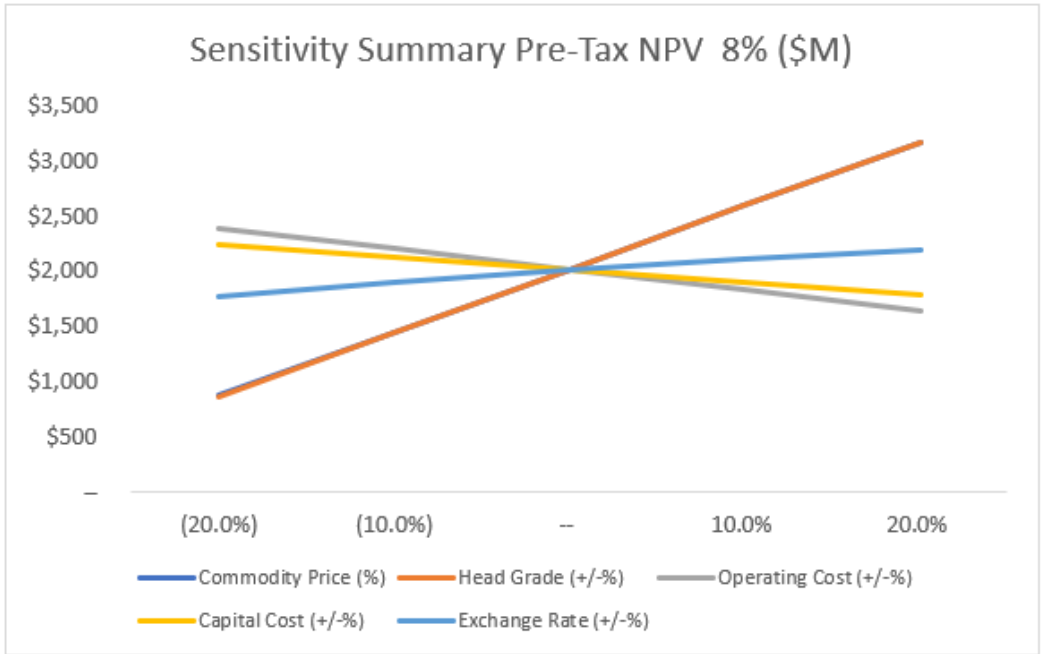
Notes: Figure prepared by Ausenco, 2022.

For the chart titled “Sensitivity Summary Post-Tax NPV 8% (\$M)”, chart lines overlap for:

- commodity price and head grade, and
- operating cost and capital cost.

For the chart titled “Sensitivity Summary Post-Tax IRR (%)”, chart lines overlap for commodity price and head grade.

**Figure 1-2: Pre-Tax NPV and IRR Sensitivity Results**



Notes: Figure prepared by Ausenco, 2022.

For the chart titled “Sensitivity Summary Pre-Tax NPV 8% (\$M)”, chart lines overlap for commodity price and head grade.

For the chart titled “Sensitivity Summary Pre-Tax IRR (%)”, chart lines overlap for commodity price and head grade.

## 1.21 Risks and Opportunities

### 1.21.1 Risks

Risks that may affect the Mineral Resource estimate specifically were provided in Section 1.10. Risks that may affect the 2022 PEA that is based on that estimate include:

- Geotechnical design of +900 m pit highwall: the ultimate pit highwall is over 900 m in vertical height, making the proposed Cañariaco Norte pit one of the world's deepest. The current study design basis for the overall pit and mine bench slope angles is pending completion of a geotechnical drilling program that was halted in 2013. The program is required to be completed to provide additional information on the rock quality in the pit wall areas. The current design is based on assessment of scoping level information, visual inspection of available core, and limited physical testing of available material. If future geotechnical investigations result in shallower overall pit slope angles, then the stripping ratio will increase and have a negative impact on the project mining costs;
- Main access road routing: the conceptual design of the main access road is based on low-quality contour data. This may lead to a less-than-optimum design with a risk that the road may not be constructible in some sections. Aerial or land reconnaissance followed by more detailed geotechnical investigations along the proposed road routing is recommended to decrease the risk in the design of this road;
- Landslides: naturally-occurring landslides were observed to have taken place in the vicinity of the location of the proposed water diversion channel. Further assessment of the valley slopes will be required to assess the severity of this risk and what mitigation can be undertaken to reduce such risk;
- Coarse mill feed material stockpile and dusting: the open-air design of the coarse ore stockpile is typical of many operating mines; however, it may result in non-compliant dust loading during dry periods. Dust suppression or a stockpile cover may be required, which will incur additional capital/operating costs for mitigation;
- There is insufficient data to provide a proper ARD management program for waste rock and tailings. However, based on preliminary data from the project a mitigation program was developed for the PEA. Further assessment of ARD potential of waste materials will be required to assess the significance of any ARD risk;
- There is no geotechnical information of the WSF foundation. There may be unknown geotechnical and/or geohazards within the footprint of the facility that might affect the stability of this facility and supporting infrastructure. Further geotechnical and geohazard assessment of the WSF will be required to assess any potential risk to the facilities and develop any potential mitigation measures;
- Inability to meet filtered tailings moisture content that could create trafficability issues for the conveyor system. An additional filtering test program should be completed to validate that the filter design moisture content can be achieved;
- Assumptions as to the continued ability to access the site; ability to retain mineral titles; ability to obtain surface rights; ability to obtain authorization from the ANA to use water sufficient to support mine construction and operations; ability to obtain environment and other regulatory permits, and ability to obtain the social license to operate.;
- Arsenic in concentrate: Arsenic content in the copper concentrate will attract penalties. Further marketing studies are required to confirm what penalties may be imposed on the low-grade copper concentrate;
- Delivery of long-lead capital equipment: market conditions may increase delivery schedules for long-lead capital equipment items. Equipment may need to be secured and purchased earlier than anticipated. This may result in increases to the capital costs as envisaged in the 2022 PEA;

### 1.21.2 Opportunities

Opportunities include:

- Mineral resource estimation: additional drilling should be undertaken in the vicinity of Cañariaco Norte with the objective of providing sufficient data to support potential upgrading of mineralization that is currently classified as Inferred to higher confidence categories. The potential exists to include the mineralization at the Cañariaco Sur deposit, which is also currently classified as Inferred, with further drilling, in more detailed studies. The Quebrada Verde prospect retains exploration potential;
- Mine plan: there is potential to optimize the mine plan in future more detailed studies. This may potentially result in a decrease in the forecast Project payback period, and an increase in the IRR;
- Flowsheet: there is potential to optimize the process flowsheet plan in future more detailed studies. This may potentially result in a decreased capital the forecasted Project payback period, and an increase in the IRR;
- Geo-metallurgy/ metallurgy: increased testwork and database has the potential to optimize the process parameters in future more detailed studies. This may potentially result in an increase of payables recoveries and/ or concentrate quality and/ or decreased deleterious element recoveries. This may potentially result in increase revenue, NPV and IRR;
- WSF there is a potential to optimize the deposition program in future studies. This may result in decrease capital, sustaining capital, and operating costs.

### **1.22 Interpretation and Conclusions**

Under the assumptions and parameters presented in this Report, the 2022 PEA shows a positive economic outcome. Additional mining and technical studies are warranted.

### **1.23 Recommendations**

A two-phase work program is recommended.

Recommendations Phase 1 will consist of a geotechnical drill program to provide additional geotechnical support for pit designs, and an exploration program to better delineate the mineralization at Cañariaco Sur and provide core for an initial metallurgical testwork program. The recommended budget for this program is approximately US\$6 M.

A portion of the second recommendations phase is dependent on the drill campaign for provision of fresh drill core from Cañariaco Sur; however, the majority of the recommended studies can be conducted concurrently with the Cañariaco Sur drill program. The second phase includes updated Mineral Resource estimates for Cañariaco Norte and Cañariaco Sur. Metallurgical testwork consisting of variability tests for Cañariaco Norte is recommended using core in cold storage from the 2013 metallurgical drilling program. Initial metallurgical testwork on Cañariaco Sur, using the core from the first work phase is proposed. Other recommendations in the second work phase that can be conducted concurrently with the first phase include additional mining and technical studies for support of process plant, infrastructure, and WSF and water management designs. A CIRA must be obtained for all areas that are planned to or could host infrastructure. The recommended budget for this program is about US\$2.7 M.

## **5.2 OTHER EXPLORATION PROJECTS (PERU AND CANADA)**

Candente Copper retains 100% ownership of two exploration properties in Peru (see map below). The Don Gregorio and Arikepay properties have been previously drill tested and further potential exists at both. Candente Copper has also entered into an option agreement to acquire up to 100% interest in the Canyon Creek copper project in northwestern BC, Canada.

**Figure 5.2.1: Don Gregorio and Arikepay Project Location**



### **DON GREGORIO PROJECT, PERU**

The property is 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 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:

- 1) Making payments of US\$500,000 to Candente; and
- 2) 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.

Candente Copper acquired the Don Gregorio from the Peruvian government in a competitive auction in 2008. Don Gregorio covers a mineralized (copper-gold) porphyry system, that occurs within the same geological trend as Yanacocha, Cerro Corona and Cañariaco.

Previous exploration dates back to the 1970's 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, however 8 of the holes averaged 50m in depth, bottomed in mineralization and were not analysed for gold only two holes were drilled to 300 metres.

Since acquisition of the property, Candente Copper has conducted data review, surface rock chip sampling and high-resolution airborne magnetics. A total of 20 surface rock chip samples were collected, highlights of which 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 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 12 holes totalling 1,642m drilled to date indicate copper and gold mineralization occurs over a minimum of 400m vertically from 2,600 to 2,200 metres in elevation. Induced polarization chargeability and copper-gold rock geochemical anomalies indicate that the mineralized system could be much more extensive than currently known. 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.

## **ARIKEPAY PROJECT, PERU**

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. 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 conducted reconnaissance mapping and sampling and reported that highly anomalous copper, gold and molybdenum geochemical results were present in strongly altered and leached rock samples collected from an area of sparsely exposed outcrop. Company geologists felt that the area was under-explored and that potential for porphyry style mineralization existed under gravel cover especially to the northwest. Helicopter-borne magnetics surveying was completed for the Arikepay project in May 2012 over 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 was delineated over approximately 2,200 metres by 700 to 1,200 metres, in an elongated north-northwest shape and extending 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 of 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 an area of significant Cu-Au-Ag mineralization measuring approximately 1,200 metres by 800 metres, trending to the northwest and extending to a depth of at least 300 metres was identified. 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.

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.

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.

Significant gold and silver mineralization was intersected in drill hole AK-DDH-02-17 (81m of 3.052 g/t Au and 2.041 g/t Ag) and 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.

Selected highlights of copper mineralization from the RC drilling program included:

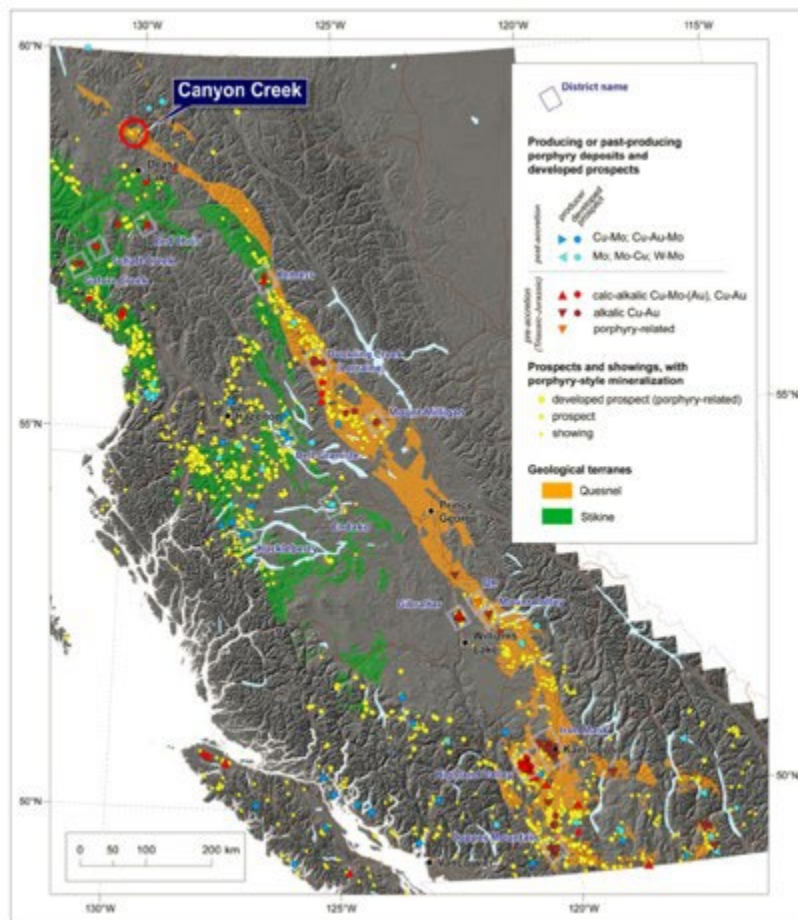
1. 142m of 0.51% CuEq\*
2. 186m of 0.43% CuEq\*
3. 292m of 0.39% CuEq\*

Selected highlights of gold mineralization from the drilling programs included:

4. 81m of 3.05 grams per tonne (“g/t”) gold (“Au”) and 2.04 g/t silver (“Ag”)
5. 18m of 1.09 g/t Au and 0.1 g/t Ag
6. 26m of 1.29 g/t Au and 4.5 g/t Ag

In March 2017, Zahena elected to discontinue their option to earn an interest in the property and they did not appear to have noticed or cared about the gold mineralization. To date there has been no follow-up on the gold potential.

**Figure 5.2.2: Canyon Creek Project Location**



## **CANYON CREEK PROJECT, CANADA**

On May 26, 2021, the Company entered into a letter of intent with respect to an option to acquire up to 100% interest in the Canyon Creek copper project in northwestern British Columbia (“B.C.”), Canada.

Terms of the option allow the Company to acquire 100% Interest (subject to Royalty\*) by:

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

The Company met firm commitments by issuing 100,000 Common Shares by November 30, 2021 and funded exploration activities totalling approximately \$50,000 prior to December 31, 2021. The remaining share issuances and exploration funding commitments are optional.

If the Company earns the 100% interest then the Vendor will be granted a royalty equal to 1.5% of net smelter returns. The Company will have the right to buy back the first 0.5% for \$500,000 and the second 0.5% for an additional \$1.5M.

B.C. hosts 13 districts of copper-rich deposits in the production and development stage within two major zones (Quesnel and Coastal/Stikine volcanic-plutonic arc - terranes). The most prominent deposits are the Red Chris, Galore

Creek, Schaft Creek, Kemess North, Mount Milligan in the north; and Highland Valley and Copper Mountain in the south. Many of these deposits produce both copper and gold.

The Canyon Creek property is located in the northwestern end of the Quesnelia Zone (Terrane) approximately 160 kilometres (“km”) from the Red Chris Mine, 15 km from a main highway and 60 km from the town of Dease Lake, in northwestern BC, Canada.

Canyon Creek comprises 24 square kilometres covering a discrete bullseye copper-molybdenum-silver anomaly delineated by regional stream sediment survey. The property also covers large areas with anomalous levels of molybdenum (“Mo”) and copper (“Cu”) in soils extending over 5 km by 2 km and is open. Mo ranges from 10 to 270 parts per million (“ppm”) and Cu ranges from 40 to 780 ppm.

Prospecting has identified two separate zones of Cu and Mo mineralization, in outcrops of quartz veining and stockwork zones containing chalcopyrite (copper sulphide) and molybdenite (molybdenum sulphide). These two areas cover 800 metres (“m”) by 300m and 400m by 400m, respectively. Mineralization, found on surface to date, grades up to 1.56% Cu; up to 0.1% Mo and up to 17.6 grams per tonne (“g/t”) silver (“Ag”).

The mineralization, soil anomalies and geophysical anomalies appear to be associated with an altered quartz monzonite porphyry which intrudes rocks of the Quesnel Terrane. Large granodiorite to quartz monzonite plutons are affiliated with the Quesnel Terrane of B.C.

Over \$1 million has been spent at Canyon Creek by previous explorers dating back as far as 1971 when Dolmage Campbell/UMEX conducted IP and ground Magnetics and apparently drilled 4 holes, although this has not been verified. Since then, Cassiar Asbestos Corp. (1971), Noranda (1978), Paget Resources (2008) and Sirius Resources (2012) have conducted stream sediment and soil sampling; geological mapping, prospecting and rock chip sampling; airborne Fugro MAG (1317 line km); ZTEM (200 line km). There is no evidence that any of these groups conducted any drilling.

Exploration was conducted by the Company in September 2021 and comprised stream sediment sampling, soil sampling and prospecting which focused on confirming and potentially expand previously discovered copper (“Cu”) and molybdenum (“Mo”) mineralization in bedrock as well as geochemical and geophysical anomalies. A total of 88 stream sediment and soil samples were collected and analysed by 34 element ICP and 10 rock chip samples were also collected. Results to date have confirmed anomalous levels of copper, molybdenum and gold in both stream sediments, soils and rocks in several location on the property.

## **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 share structure 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, 2021, the end of the Company’s most recent fiscal year, 266,541,947 Common Shares, 15,250,000 options to purchase Common Shares, and no warrants to purchase Common Shares were issued and outstanding.

As of March 31, 2022, the date of this AIF, 269,690,160 Common Shares, 18,045,000 options to purchase Common Shares, 939,580 RSUs, 2,256,471 DSUs and nil 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, 2021, until December 31, 2021:

Month	High (\$) (CAD)	Low (\$) (CAD)	Close (\$) (CAD)	Average Daily Volume	Total Monthly Volume
January 2021	0.265	0.15	0.18	498,113	9,962,268
February 2021	0.25	0.165	0.21	382,949	7,276,041
March 2021	0.23	0.17	0.185	118,355	2,722,174
April 2021	0.20	0.12	0.17	238,918	5,017,279
May 2021	0.18	0.135	0.15	150,137	3,002,755
June 2021	0.165	0.115	0.125	100,498	2,210,951
July 2021	0.135	0.12	0.12	39,544	830,425
August 2021	0.13	0.105	0.12	61,840	1,298,632
September 2021	0.16	0.105	0.135	89,188	1,783,765
October 2021	0.175	0.13	0.165	86,504	1,730,079
November 2021	0.20	0.155	0.175	155,816	3,427,947
December 2021	0.205	0.155	0.205	139,409	2,788,172

The price of the Company’s Common Shares on the TSX at the close of the business on December 31, 2021, the last trading day of 2021, was CDN\$0.15 per Common Share and on March 30, 2022, was CDN \$0.22 per Common Share.

## PRIOR SALES

The below table discloses each class of securities of the Company that are outstanding but not listed or quoted on a marketplace, the price at which securities of the class have been issued during the most recently completed financial year by the Company, the number of securities of the class issued at that price, and the date on which the securities were issued:

<b>Class of Securities</b>	<b>Issue Price (\$)</b>	<b>Number</b>	<b>Date Issued</b>
Common Shares	0.09	500,000	05-Jan-21
Common Shares	0.09	250,000	08-Jan-21
Common Shares	0.15	321,000	13-Jan-21
Common Shares	0.09	50,000	13-Jan-21
Common Shares	0.09	650,000	15-Jan-21
Common Shares	0.15	214,000	15-Jan-21
Common Shares	0.09	425,000	25-Jan-21
Common Shares	0.09	900,000	27-Jan-21
Common Shares	0.15	200,000	29-Jan-21
Common Shares	0.09	500,000	29-Jan-21
Common Shares	0.15	50,000	19-Feb-21
Common Shares	0.15	540,000	23-Feb-21
Common Shares	0.15	402,777	24-Feb-21
Common Shares	0.15	83,333	26-Feb-21
Common Shares	0.15	456,000	02-Mar-21

Common Shares	0.07	2,930,926	25-Mar-21
Common Shares	0.15	50,000	25-Mar-21
Common Shares	0.05	1,000,000	06-May-21
Common Shares	0.05	50,000	02-Jun-21
Common Shares	0.15	50,000	24-Jun-21
Common Shares	0.13	8,800,000	24-Aug-21
Common Shares	0.09	100,000	21-Oct-21
Common Shares	0.17	50,000	30-Nov-21
Common Shares	0.07	607,143	03-Dec-21
Common Shares	0.05	250,000	03-Dec-21
Stock Options	0.15	2,250,000	07-May-21
Stock Options	0.13	200,000	13-Oct-21
Stock Options	0.18	1,000,000	10-Nov-21
Restricted Share Units	0.15	225,294	30-Apr-21
Deferred Share Units	0.09	577,987	31-Mar-21
Deferred Share Units	0.15	346,945	31-Mar-21
Deferred Share Units	0.19	272,846	30-Apr-21
Deferred Share Units	0.12	414,682	30-Jul-21

Deferred Share Units	0.14	363,098	26-Oct-21
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Notes:

(i) The Company has an incentive stock option plan. Under the plan, a total of 10% of the Company's outstanding common shares are reserved for the issuance of shares at the discretion of the Board of Directors. The terms of each option award are fixed by the Board of Directors at the time of grant. Stock option awards have a maximum term of five years. The fair value of the option grant, per option, was estimated at the time of the grant using the Black-Scholes option pricing model.

(ii) 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.

(iii) 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.

## **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:

<b>Name, Position and Province/State and Country of Residence (1)</b>	<b>Principal Occupation During the Past Five Years</b>	<b>Period of Service as an Officer or Director (6)</b>	<b>Approx. no. of voting securities beneficially owned, directly or indirectly or over which direction or control is exercised (7)</b>
<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	7,215,480
<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 (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) (4) Independent Director 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	756,100
<b>George Elliott, BA (Hons) LL.B (2) (3) Independent Director Ontario, Canada</b>	Lawyer. Independent Director of the Company since August 2011. Director of the Canadian Securities Exchange from December 2012 to September 2020 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 January 2016, 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	456,480
<b>Giulio T. Bonifacio, CPA (2)(3)(4)(5) Non-Executive Chairman and Independent Director British Columbia, Canada</b>	Chartered Professional Accountant, Independent Director of the Company since January 2020 and Non-Executive Chairman from July 2020 to present. Currently Director, President & CEO of Sabre Gold Mines Corp. from April 2019 to present. Non-Executive Chairman of NevGold Corp. from June 2021 to present. Former Non-Executive Chairman and Director of CopperBank Resources Corp. from May 2018 to present. Founder, Director, CEO & President of Nevada Copper Corp. from 2005 to 2018	Independent Director since January 2020 and Non- Executive Chairman since July 2020	4,000,000
<b>Christine Nicolau Fortescue Director Buenos Aires, Argentina</b>	General Manager of Metals, Latin America, for Fortescue. Responsible for Fortescue's South American minerals business including exploration, project development and other growth activities.	Director since May 2021	Nil
<b>Luis Miguel Inchaustegui Z. Independent Director Lima, Peru</b>	Lawyer, MBA, Consultant on strategic issues, corporate affairs and sustainable development. Minister of Energy and Mines in Peru from August to November 2020, consultant to External Products and Services (PEC) of the Inter-American Development Bank from March to August 2020, Independent Director of Turmalina Metals Corp. during 2019 and 2020. He also served as Vice Minister of Mines from May 2018 to April 2019 and as Vice President of Corporate Affairs and Sustainable Development of Gold Fields La Cima SA from April 2012 to September 2017.	Independent Director since November 2021	Nil
<b>Mark Lotz, CPA, CA., BBA CFO 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. Chair: Mr. Andres Milla.
- (3) Member of the Compensation Committee. Chair: Mr. George Elliott.
- (4) Member of the Strategy and Finance Committee. Chair: Mr. Sean Waller.



- (5) Non-Executive Chairman: Mr. Giulio Bonifacio.
- (6) The term of office of the directors will expire at the Company's next annual general meeting.
- (7) 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 15,873,152 Common Shares, directly or indirectly, representing approximately 5.88% 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:

1. 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
2. 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:

- I. 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
- II. 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:

- I. 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
- II. 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.

## **11. 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.

## **12. 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.

## **13. 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:

- 1 IN BRITISH COLUMBIA, 3RD FLOOR, 510 BURRARD STREET, VANCOUVER, BRITISH COLUMBIA, V6C 3B9; AND
- 2 IN ONTARIO, 100 UNIVERSITY AVENUE, 8TH FLOOR, TORONTO, ONTARIO M5J 2Y1.

## **14. MATERIAL CONTRACTS**

Except as disclosed in this AIF, there were no other contracts, other than those entered into in the ordinary course of business, that were material to the Company and that were entered into between January 1, 2021 (being the

commencement of the Company's most recently completed financial year) and up to the date of this AIF or that were entered before the most recently completed financial year and which remain in effect:

## **15. 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.

- 1 KRESTON GTA LLP CHARTERED PROFESSIONAL ACCOUNTANTS ("KRESTON"), 8953 WOODBINE AVENUE, MARKHAM, ON, L3R 0J9, ARE THE INDEPENDENT AUDITORS FOR THE COMPANY. KRESTON IS INDEPENDENT FROM THE COMPANY IN ACCORDANCE WITH THE RULES OF PROFESSIONAL CONDUCT OF THE INSTITUTE OF CHARTERED PROFESSIONAL ACCOUNTANTS OF BRITISH COLUMBIA;
- 2 EACH OF KEVIN MURRAY, P.ENG., SCOTT ELFEN, P.E. OF AUSENCO ENGINEERING CANADA INC., SCOTT WESTON, P.GEO. OF HEMMERA ENVIROCHEM INC., JAY MELNYK, P.ENG. OF AGP MINING CONSULTANTS INC. AND DAVID THOMAS, P.GEO. OF DKT GEOSOLUTIONS INC IS RESPONSIBLE FOR THE PREPARATION OF ONE OR MORE SECTIONS OF THE MARCH 2022 NI 43-101 TECHNICAL REPORT ON PRELIMINARY ECONOMIC ASSESSMENT, EACH OF THEM IS AN INDEPENDENT "QUALIFIED PERSON" FOR THE PURPOSES OF NI 43-101; AND
- 3 JOANNE C. FREEZE, P.GEO. OF THE COMPANY IS RESPONSIBLE FOR THE PREPARATION OF CERTAIN TECHNICAL INFORMATION IN THE COMPANY'S NEWS RELEASES AND OTHER DISCLOSURE DOCUMENTS. SHE IS A "QUALIFIED PERSON" FOR THE PURPOSES OF NI 43-101 BUT NOT INDEPENDENT AS IS A DIRECTOR AND OFFICER OF THE COMPANY. AS OF THE DATE OF THIS AIF: MS. FREEZE HOLDS, DIRECTLY OR INDIRECTLY, 7,215,480 COMMON SHARES, 3,800,000 STOCK OPTIONS, 939,580 RSU AND NO WARRANTS OF THE COMPANY.

Except as set forth above, to the Company's knowledge, none of the persons referred to above and the designated professionals of the entities through which they provided their services to the Company, held, received or is to receive securities representing 1% or more of the securities of such class.

Other than Joanne C. Freeze, Director, President and Chief Executive Officer for the Company, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or any associate or affiliate of the Company.

## **16. 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, 2021, 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.

## **17. 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 T. 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 more than 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 T. 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 Sabre Gold Mines Corp. and formerly Kerr Mines) from 2002 – 2012 during the initial development and advancement of the Copperstone Project into a high grade underground mining opportunity. In 2019, he returned 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. He is currently Director and former Chair of CopperBank and Chair of the Board and Independent Director of Candente Copper Corp. and NevGold 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, 2021, 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, 2021	\$50,000*	Nil	\$10,500*	Nil
December 31, 2020	\$29,758.68	Nil	\$9,315	Nil

(\*) Estimated fees.