



CANDENTE COPPER CORP

Candente Copper Corp.
Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2022 and 2021
(Expressed in United States dollars, unless otherwise noted)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Candente Copper Corp. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Candente Copper Corp.
Condensed Interim Consolidated Statements of Financial Position
As at June 30, 2022 and December 31, 2021 (unaudited)
(Expressed in United States dollars unless otherwise noted)

	Notes	June 30, 2022	December 31, 2021
Assets			
Current assets			
Cash		\$ 83,491	\$ 170,218
Prepaid expenses and deposits		115,898	28,159
Total current assets		199,389	198,377
Non-current assets			
Receivables		51,724	55,076
Investment	3	408,141	502,215
Right of use asset	4	50,103	58,971
Advances toward Canadian projects	5	58,685	40,443
Unproven mineral right interests	5	65,646,698	65,085,912
Equipment	6	48,684	55,855
Total non-current assets		66,264,035	65,798,472
Total assets		\$ 66,463,424	\$ 65,996,849
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	7, 12	\$ 526,363	\$ 484,724
Short term loan	8	790,882	-
Current portion of lease liability	4	15,310	14,535
Total current liabilities		1,332,555	499,259
Non-current liabilities			
Term loan payable	9	31,040	31,552
Lease liability	4	40,708	49,389
Total Liabilities		1,404,303	580,200
Equity			
Share capital	10	88,937,785	88,482,043
Reserves	10	15,019,007	14,084,690
Accumulated deficit		(38,897,671)	(37,150,084)
Total equity		65,059,121	65,416,649
Total liabilities and equity		\$ 66,463,424	\$ 65,996,849

General information (Note 1)
Commitment (Note 11)
Subsequent events (Note 16)

Approved on behalf of the Board of Directors on August 12, 2022

(signed) Andres Milla
Director

(signed) George Elliott
Director

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

Candente Copper Corp.
Condensed Interim Consolidated Statements of Comprehensive Loss
For the three and six months ended June 30, 2022 and 2021 (unaudited)
(Expressed in United States dollars unless otherwise noted)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
Expenses					
General and administrative expenses	12	295,218	\$ 211,857	\$ 564,077	\$ 370,945
Other expenses					
Settlement of debt (gain)/loss	9	(202)	-	49,468	-
Share-based payments	10	304,119	102,664	1,118,829	115,483
Loss on term loan payable		-	1,479	-	1,479
Loss (gain) on foreign exchange		22,999	(17,508)	(2,421)	61,333
Interest expense		16,347	1,499	17,634	3,012
Gain on extinguishment of debt		-	-	-	(222,655)
Net loss		638,481	299,991	1,747,587	329,597
Change in fair value of investment	3	50,406	(28,114)	102,224	(78,619)
Exchange difference on translation of parent		(88,192)	45,947	(76,243)	(48,065)
		(37,786)	17,833	25,981	(126,684)
Comprehensive loss for the period		600,695	\$ 317,824	\$ 1,773,568	\$ 202,913
Loss per share attributable to shareholders:					
basic and diluted		0.00	\$ 0.00	\$ 0.01	\$ 0.00
Weighted average number of common shares					
outstanding: basic and diluted		269,690,160	256,269,969	269,189,243	253,712,365

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

Candente Copper Corp.
Condensed Interim Consolidated Statements of Changes in Equity
For the six months ended June 30, 2022 and 2021 (unaudited)
(Expressed in United States dollars unless otherwise noted)

	Share Capital		Reserves						
	Total common shares	Share capital	Equity settled employee compensation and warrants	Contributed Surplus	Foreign currency	Available for sale assets	Total reserves	Deficit	Total
Balance at December 31, 2020	247,111,768	\$ 86,774,635	\$ 13,864,518	\$ -	\$ (562,631)	\$ 153,860	\$ 13,455,747	\$ (35,974,171)	\$ 64,256,211
Share-based payments - stock options	-	-	115,483	-	-	-	115,483	-	115,483
Common shares issued upon exercise of options	1,050,000	69,709	(26,652)	-	-	-	(26,652)	-	43,057
Common shares issued upon exercise of warrants	5,592,110	525,229	(21,369)	-	-	-	(21,369)	-	503,860
Common shares issued upon settlement of RSU	2,930,926	162,752	(162,752)	-	-	-	(162,752)	-	-
Common shares issued for property	50,000	5,278	-	-	-	-	-	-	5,278
Share-based payments - deferred share units	-	-	41,549	-	-	-	41,549	-	41,549
Share-based payments - restricted share units	-	-	55,035	-	-	-	55,035	-	55,035
Net loss	-	-	-	-	-	-	-	(329,597)	(329,597)
Change in fair value of investment	-	-	-	-	-	78,619	78,619	-	78,619
Cumulative translation adjustment	-	-	-	-	48,065	-	48,065	-	48,065
Balance at June 30, 2021	256,734,804	\$ 87,537,603	\$ 13,865,812	\$ -	\$ (514,566)	\$ 232,479	\$ 13,583,725	\$ (36,303,768)	\$ 64,817,560
Balance at December 31, 2021	266,541,947	\$ 88,482,043	\$ 14,021,685	\$ 45,346	\$ (405,004)	\$ 422,663	\$ 14,084,690	\$ (37,150,084)	\$ 65,416,649
Share-based payments - stock options	-	-	1,118,829	-	-	-	1,118,829	-	1,118,829
Debt settlement	568,213	102,945	-	-	-	-	-	-	102,945
Obligation to issue shares	-	-	-	-	-	-	-	-	-
Common shares issued upon exercise of options	2,580,000	352,797	(158,531)	-	-	-	(158,531)	-	194,266
Net loss	-	-	-	-	-	-	-	(1,747,587)	(1,747,587)
Change in fair value of investment	-	-	-	-	-	(102,224)	(102,224)	-	(102,224)
Cumulative translation adjustment	-	-	-	-	76,243	-	76,243	-	76,243
Balance at June 30, 2022	269,690,160	\$ 88,937,785	\$ 14,981,983	\$ 45,346	\$ (328,761)	\$ 320,439	\$ 15,019,007	\$ (38,897,671)	\$ 65,059,121

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

Candente Copper Corp.
Condensed Interim Consolidated Statements of Cash Flows
For the six months ended June 30, 2022 and 2021 (unaudited)
(Expressed in United States dollars unless otherwise noted)

	Six months ended June 30,	
	2022	2021
Cash provided by (used in):		
Loss for the period	\$ (1,747,587)	\$ (329,597)
Items not affecting cash:		
Amortization	15,584	16,919
Share-based payments - stock options	1,118,829	115,483
Share-based payments - deferred share units	-	55,035
Share-based payments - restricted share units	-	41,549
Interest expense	2,435	3,012
Gain on term loan payable	-	1,479
Loss/(gain) on settlement of debt	49,538	(222,655)
Foreign exchange	60,415	62,402
Changes in non-cash working capital items:		
Receivables	3,352	(9,311)
Prepaid expenses and deposits	(87,739)	(15,977)
Accounts payable and accrued liabilities	66,547	(180,524)
Net cash used in operating activities	(518,626)	(462,185)
Investing		
Addition to unproven mineral right interests	(525,612)	(451,780)
Advance payment - Canyon Creek	(18,242)	-
Purchase of equipment	-	(861)
Net cash used in investing activities	(543,854)	(452,641)
Financing		
Issuance of common shares for exercise of stock options	194,266	43,057
Issuance of common shares for exercise of warrants	-	503,860
Term loan payable	790,882	(14,025)
Principal repayments on lease liability	(9,395)	(9,144)
Net cash provided by financing activities	975,753	523,748
Net change in cash	(86,727)	(391,078)
Cash at beginning of period	170,218	510,627
Cash at end of period	\$ 83,491	\$ 119,549
Non-cash investing and financing information:		
Common shares issued for debt settlement	102,945	-
Change in fair value investment	(51,818)	-
Exploration and evaluation assets including in trade payables	123,176	-

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

Candente Copper Corp.

Notes to the condensed interim consolidated financial statements For the six months ended June 30, 2022 and 2021 (unaudited)

(Expressed in United States dollars unless otherwise noted)

1. General Information and Going Concern

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

The principal subsidiaries of the Company as at June 30, 2022 are as follows:

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on August 12, 2022.

These consolidated financial statements have been prepared on a going-concern basis and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material. While the Company expects to be able to obtain sufficient financing to continue as a going concern, it is not possible to predict whether financing efforts will be successful. For six months ended June 30, 2022, the Company incurred a net loss of \$1,747,587. As at June 30, 2022, the Company has \$38,897,671 in cumulative losses since inception and deficiency in working capital of \$1,133,166 (2021 deficiency of \$300,882). The Company does not generate cash flows from operations and accordingly, the Company will need to raise additional funds through the issuance of securities, resource secured debt or joint venture projects. Although, the Company has been successful in raising funds in the past there can be no assurance that the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. The Company is subject to sovereign risk, including political and economic instability, changes in existing government regulations relating to mining, as well as currency fluctuations and local inflation. These factors are material uncertainties that may cast significant doubt regarding the Company’s ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statement of financial position.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies and financial markets globally, potentially leading to an economic downturn. Operation in the projects located in Peru make decisions according to their local situation and applicable laws, as well as considering the health and safety of their employees. During the second quarter of 2020, operations in Peru were temporarily suspended due to government restrictions focused on reducing the impacts of COVID-19, which affected access to the Companies mineral properties. The Peruvian government issued a decree on May 3, 2020 indicating large mines would be able to reopen subject to approval of certain protocols. Mining

Candente Copper Corp.

Notes to the condensed interim consolidated financial statements For the six months ended June 30, 2022 and 2021 (unaudited)

(Expressed in United States dollars unless otherwise noted)

1. General Information and Going Concern (continued)

exploration activities resumed operations during the third quarter of 2020 and remain in operations. To date, it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effect on the Company's business or ability to raise funds.

2. Statement of Compliance and Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value.

These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS issued by the IASB.

3. Investment

At June 30, 2022, the Company held 5,536,373 (December 31, 2021 - 5,536,373) shares of Xali Gold Corp. (formerly Candente Gold Corp) ("Xali Gold"), a company with common officers and directors. The closing share price was Cdn\$0.095 (December 31, 2021 - Cdn\$0.115) and the fair value of the Company's investment in Xali Gold is \$408,141 (December 31, 2021 - \$502,215). During the six months ended June 30, 2022, the Company recognized an unrealized loss on investments of \$102,224 (six months ended 2021, gain - \$78,619) that was included in other comprehensive loss.

4. Right to Use Asset and Lease Liability

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

	June 30, 2022	December 31, 2021
Opening balance	\$ 58,971	\$ 74,731
Depreciation	(8,019)	(16,271)
Foreign exchange adjustment	(849)	511
Ending balance	\$ 50,103	\$ 58,971

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

At June 30, 2022, the Company's lease liability is as follows:

	June 30, 2022	December 31, 2021
Opening balance	\$ 63,924	\$ 76,194
Interest	2,435	5,740
Lease payments	(9,395)	(18,483)
Foreign exchange adjustment	(946)	473
Ending balance	\$ 56,018	\$ 63,924

Candente Copper Corp.

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2022 and 2021 (unaudited)

(Expressed in United States dollars unless otherwise noted)

4. Right to Use Asset and Lease Liability (Continued)

	June 30, 2022	December 31, 2021
Current portion	\$ 15,310	\$ 14,535
Long-term portion	40,708	49,389
Total lease liability	\$ 56,018	\$ 63,924

At June 30, 2022, the Company is committed to minimum undiscounted lease payments as follows:

	June 30, 2022	December 31, 2021
Less than one year	\$ 19,243	\$ 19,131
One to five years	44,527	55,108
Total undiscounted lease liabilities	\$ 63,770	\$ 74,239

The following expenses are recorded pertaining to the lease arrangements:

	June 30, 2022	December 31, 2021
Interest on lease liabilities	\$ 3,095	\$ 5,740
Amortization sub-leasing right-of-use	10,195	16,271

Candente Copper Corp.

Notes to the condensed interim consolidated financial statements For the six months ended June 30, 2022 and 2021 (unaudited)

(Expressed in United States dollars unless otherwise noted)

5. Unproven Mineral Right Interests

As of June 30, 2022, the Company's mineral properties consisted of the following:

	Balance as at December 31, 2021*	Mining property expenditures	Balance as at June 30, 2022
Cañariaco Property, Lambayeque, Peru			
Mineral rights and surface access rights	\$ 2,214,083	\$ 102,867	\$ 2,316,950
Community relations and social initiatives	4,892,624	52,272	4,944,896
Exploration and evaluation costs:			
Drilling	9,858,863	52,440	9,911,303
Environment, health and safety	1,593,436	42,681	1,636,117
General exploration and development	10,181,567	117,726	10,299,293
Engineering studies	11,057,304	117,838	11,175,142
Field support including project management	23,261,881	18,383	23,280,264
Total exploration and evaluation costs	55,953,051	349,068	56,302,119
	63,059,758	504,207	63,563,965
Option and royalty payments received	(505,921)	-	(505,921)
	\$ 62,553,837	\$ 504,207	\$ 63,058,044
Cobrizo Metals Peruvian properties			
Mineral rights and surface access rights	\$ 453,490	\$ 53,463	\$ 506,953
Community relations and social initiatives	40,000	-	40,000
Exploration and evaluation costs:			
Drilling	358,297	927	359,224
Environment, health and safety	42,288	-	42,288
General exploration and development	706,826	-	706,826
Engineering studies	1,087	-	1,087
Field support including project management	52,309	7,425	59,734
Cost recoveries	(105,839)	(6,573)	(112,412)
Total exploration and evaluation costs	1,054,968	1,779	1,056,747
	1,548,458	55,242	1,603,700
Option and royalty payments received	(350,000)	-	(350,000)
Impairment of unproven mineral rights interest	(466,359)	-	(466,359)
	\$ 732,099	\$ 55,242	\$ 787,341
Total mineral properties before value-added tax credit	\$ 63,285,936	\$ 559,449	\$ 63,845,385
Value-added tax credit **	\$ 1,799,976	\$ 1,337	\$ 1,801,313
Total mineral properties	\$ 65,085,912	\$ 560,786	\$ 65,646,698

*Some of the numbers have been regrouped to be in line with the current presentation

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

Candente Copper Corp.

Notes to the condensed interim consolidated financial statements For the six months ended June 30, 2022 and 2021 (unaudited)

(Expressed in United States dollars unless otherwise noted)

5. Unproven Mineral Right Interests (Continued)

As of December 31, 2021, the Company's mineral properties consisted of the following:

	Balance as at December 31, 2020	Mining property expenditures	Balance as at December 31, 2021
Cañariaco Property, Lambayeque, Peru			
Mineral rights and surface access rights	\$ 2,106,647	\$ 107,436	\$ 2,214,083
Community relations and social initiatives	4,751,523	141,101	4,892,624
Exploration and evaluation costs:			
Drilling	9,814,613	44,250	9,858,863
Environment, health and safety	1,448,771	144,665	1,593,436
General exploration and development	10,013,092	168,475	10,181,567
Engineering studies	10,909,797	370,163	11,279,960
Field support including project management	23,216,607	45,274	23,261,881
Total exploration and evaluation costs	55,402,880	772,827	56,175,707
	62,261,050	1,021,364	63,282,414
Option and royalty payments received	(505,921)	-	(505,921)
Reduction in historical engineering fees	-	(222,656)	(222,656)
	\$ 61,755,129	\$ 798,708	\$ 62,553,837
Cobrizo Metals Peruvian properties			
Mineral rights and surface access rights	\$ 404,730	\$ 48,760	\$ 453,490
Community relations and social initiatives	40,000	-	40,000
Exploration and evaluation costs:			
Drilling	357,090	1,207	358,297
Environment, health and safety	42,288	-	42,288
General exploration and development	706,826	-	706,826
Engineering studies	1,087	-	1,087
Field support including project management	51,691	618	52,309
Cost recoveries	(83,579)	(22,260)	(105,839)
Total exploration and evaluation costs	1,075,403	(20,435)	1,054,968
	1,520,133	28,325	1,548,458
Option and royalty payments received	(350,000)	-	(350,000)
Impairment of unproven mineral rights interest	(466,359)	-	(466,359)
	\$ 703,774	\$ 28,325	\$ 732,099
Total mineral properties before value-added tax credit	\$ 62,458,903	\$ 827,033	\$ 63,285,936
Value-added tax credit **	\$ 1,798,372	\$ 1,604	\$ 1,799,976
Total mineral properties	\$ 64,257,275	\$ 828,637	\$ 65,085,912

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

In accordance with the option agreement, FCC has the right to earn a 60% interest in the Don Gregorio property from the Company by paying all holding costs including annual Mineral Rights (Vigencia), making staged payments totaling \$500,000 to the Company, and drilling 10,000 metres within 3 years of receiving drilling permits.

Candente Copper Corp.

Notes to the condensed interim consolidated financial statements For the six months ended June 30, 2022 and 2021 (unaudited)

(Expressed in United States dollars unless otherwise noted)

5. Unproven Mineral Right Interests (Continued)

To date, the Company has received \$100,000 and has paid fees for annual mineral rights totaling \$112,412 with respect to this agreement. One-half of the aforementioned payments are to be used to fund the Company's work in community engagement and agreements. The Company is to receive \$100,000 on or before 30 days of receipt of drill permits for the first phase drill program, \$100,000 within 30 days of completing the first phase drill program (5,000 metres) and the final \$200,000 within 60 days of completing the second phase drill program (an additional 5,000 metres).

On November 4, 2020, the Company assigned the Don Gregorio project mining concessions to a subsidiary of FCC for ease of application for the drilling permits. The transfer agreement has a term of 5 years such that if FCC has not completed the 10,000 metres of drilling by Nov 4, 2025 100% interest in the property will be transferred back to Cobriza.

Acquisition of Canyon Creek copper project:

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

Terms of the Agreement

The Company has entered into a Definitive Agreement ("DA") with the property owner. The DA provides for the following:

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

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

Of the above the following was a Firm Commitment and has been completed:

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

*Royalty:

The Vendor will be granted a royalty equal to 1.5% of net smelter returns ("NSR"). The Company has the right to buyback the first 0.5% of the NSR for \$500,000 and the second 0.5% of the NSR for an additional \$1.5 million.

Canadian project - Canyon Creek

	Shares	Amount
Common shares issued for property	100,000	\$ 12,118
Exploration expenses	-	40,443
Balance at December 31, 2021	-	52,561
Exploration expenses	-	18,242
Balance at June 30, 2022	100,000	\$ 58,685

Candente Copper Corp.

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2022 and 2021 (unaudited)

(Expressed in United States dollars unless otherwise noted)

6. Equipment

	Equipment	Total
Cost		
As at December 31, 2020	\$ 605,649	\$ 642,910
Additions	2,980	2,980
As at December 31, 2021	608,629	645,890
Additions	-	-
As at June 30, 2022	\$ 608,629	\$ 645,890
Accumulated depreciation		
As at December 31, 2020	\$ (535,895)	\$ (573,156)
Additions	(16,879)	(16,879)
As at December 31, 2021	(552,774)	(590,035)
Additions	(7,171)	(7,171)
As at June 30, 2022	\$ (559,945)	\$ (597,206)
Net book value		
As at December 31, 2021	\$ 55,855	\$ 55,855
As at June 30, 2022	\$ 48,684	\$ 48,684

7. Trade Payables and Accrued Liabilities

	June 30, 2022	December 31, 2021
Trade payables	\$ 249,128	\$ 240,281
Due to related parties (Note 12)	215,490	211,456
Accrued liabilities	61,745	32,987
	\$ 526,363	\$ 484,724

Significant balances included in trade payables are: Engineering services of \$80,250 related to the PEA; Legal services \$90,271; Investor Relations Conference fees of \$18,000; Audit fee \$20,331.

On February 17, 2022, the Company settled a debt with a vendor for Cdn\$67,800 by issuing 568,213 Common shares (Note 10).

8. Short Term Loan Payable

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

Candente Copper Corp.

Notes to the condensed interim consolidated financial statements For the six months ended June 30, 2022 and 2021 (unaudited)

(Expressed in United States dollars unless otherwise noted)

9. Term Loan Payable

On April 29, 2020, the Company received a loan for gross proceeds of \$30,601 (Cdn \$40,000) under the Canada Emergency Business Account (“CEBA”) as part of the Canadian government funded COVID-19 financial assistance programs. The CEBA term loan is due on December 25, 2025. The loan is interest free until December 31, 2022 and bears interest at 5% per annum thereafter. If at least 75% of the loan principal is paid on or before December 31, 2022, the balance of the loan will be forgiven.

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

10. Share Capital

a. Shares authorized

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

b. Common shares issued

As at June 30 2022, the Company had 269,690,160 (December 31, 2021 – 266,541,947) common shares issued and outstanding.

During the six months ended June 30, 2022, 3,148,213 common shares were issued: pursuant to the exercise of 2,580,000 stock options for proceeds of Cdn\$244,000, and 568,213 common shares with fair value of Cdn\$130,689 to settle a Cdn\$67,800 debt (Note 7). The Company recorded a loss of Cdn\$62,889 in connection to the debt settlement.

c. Stock options

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

The changes in stock options during the six months ended June 30, 2022 were as follows:

	Number	Exercise Price (CDN\$)
Balance, December 31, 2021	15,250,000	0.08
Issued	8,575,000	0.20
Exercised	(2,580,000)	0.10
Balance June 30, 2022	21,245,000	0.13

Share-based payments for the the six months ended June 30, 2022 were \$1,118,829 (six months ended June 30, 2021 – \$115,483). From which \$1,104,939 related to Stock Options granted during the period. The fair value of stock options granted was \$1,044,994 (June 30, 2021 - \$248,341) Fair value at grant date of the stock options was measured based on the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility. The weighted-average assumptions used for the Black-Scholes option-pricing model of stock options granted during the period are as follows:

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(Expressed in United States dollars unless otherwise noted)

10. Share Capital (continued)

c. Stock options (continued)

	June 30, 2022	June 30, 2021
Risk-free interest rate	2.26%	0.01
Expected life of options	5 years	5 years
Annualized volatility	106.91%	114.52%
Dividend rate	Nil	Nil

Stock options outstanding at June 30, 2022 were as follows:

Grant Date	Exercisable		Outstanding		Expiry Date
	Exercise Price (CDN\$)	Number of Options	Exercise Price (CDN\$)	Number of Options	
October 1, 2018	\$0.07	300,000	\$0.07	300,000	October 1, 2023
October 12, 2018	\$0.07	200,000	\$0.07	200,000	October 12, 2023
November 19, 2018	\$0.07	1,600,000	\$0.07	1,600,000	November 19, 2023
July 19, 2019	\$0.05	2,570,000	\$0.05	2,570,000	July 19, 2024
January 27, 2020	\$0.05	5,250,000	\$0.05	5,250,000	January 27, 2025
June 17, 2020	\$0.06	400,000	\$0.06	400,000	June 17, 2025
May 7, 2021	\$0.15	1,150,000	\$0.15	1,150,000	May 7, 2026
October 13, 2021	\$0.13	50,000	\$0.13	200,000	October 13, 2026
November 10, 2021	\$0.18	800,000	\$0.18	1,000,000	November 10, 2026
January 17, 2022	\$0.23	5,375,000	\$0.23	5,375,000	January 17, 2027
June 15, 2022	\$0.15	3,200,000	\$0.15	3,200,000	June 15, 2027
	\$0.12	20,895,000	\$0.13	21,245,000	

d. Warrants

At June 30, 2022 the Company had no outstanding warrants

e. Reserves

Equity settled employee compensation and warrants reserve:

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

Foreign currency reserve:

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

Available for sale assets:

During the six months ended June 30, 2022, the Company recognized an unrealized loss on investments of \$94,074 (six months ended June 30, 2021 – \$268,803) that was included in other comprehensive loss. (Note 3).

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(Expressed in United States dollars unless otherwise noted)

10. Share Capital (continued)

f. Deferred Share Units (“DSU”)

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

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

During the six months ended June 30, 2022, the company granted 582,597 DSUs (six months ended June 30, 2021 – 984,243) with fair value of \$94,235 (six months ended June 30, 2021 - \$124,716).

	June 30, 2022	December 31, 2021
DSUs outstanding, beginning of period	1,975,558	991,315
Granted	582,597	984,243
DSUs outstanding, end of period	2,558,155	1,975,558

g. Restricted Share Units (“RSU”)

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

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

During the six months ended June 30, 2022, the Company granted Nil RSU (six months ended June 30, 2021 – 225,294). The fair value of new restricted share units was \$Nil (six months ended June 30, 2021 – \$31,176).

	June 30, 2022	December 31, 2021
RSUs outstanding, beginning of period	939,580	4,002,355
Granted	-	225,294
Settled	-	(3,288,069)
RSUs outstanding, end of period	939,580	939,580

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11. Commitment

Community engagement and initiatives

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

12. Related Party Disclosure

Key management compensation:

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

	Six months ended June 30,	
	2022	2021
Director fees	\$ 95,802	\$ 83,840
Salaries and fees	47,396	77,234
Share-based payments	1,104,939	95,017
	\$ 1,248,137	\$ 256,091

During the six months ended June 30, 2022, the Company granted 582,597 DSUs (six months ended June 30, 2021 – 346,946) to settle \$94,235 in directors' fees (six months ended June 30, 2021 - \$38,984).

Included in salaries and fees is \$16,296 (six months ended June 30, 2021 – \$9,542) which was capitalized to unproven mineral right interests.

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

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

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

	June 30, 2022	December 31, 2021
Directors and Officers of the Company	\$ 215,490	\$ 211,456

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Notes to the condensed interim consolidated financial statements For the six months ended June 30, 2022 and 2021 (unaudited)

(Expressed in United States dollars unless otherwise noted)

13. General and Administrative Expenses

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
GENERAL AND ADMINISTRATIVE				
Amortization (Note 5 & 6)	\$ 7,229	\$ 8,420	\$ 15,584	\$ 16,919
Accounting, audit and tax advisory fees	19,410	11,107	80,993	39,413
Bank charges and interest	756	649	1,780	1,698
Consulting	14,811	-	41,322	-
Legal	2,766	33,607	31,559	46,237
Management and Director fees, office salaries and benefits (Note 12)	106,930	102,456	178,977	169,710
Office, rent and miscellaneous	14,144	13,770	25,734	27,265
Travel and accommodations	436	553	1,498	774
Regulatory and filing fees	7,467	21,827	25,299	46,781
Shareholder communications	121,269	19,468	161,331	22,148
Total general and administrative expenses	\$ 295,218	\$211,857	\$ 564,077	\$ 370,945

14. Segmented Information

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

15. Financial Risk and Capital Management

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

Liquidity risk

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

Currency risk

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

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Notes to the condensed interim consolidated financial statements

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15. Financial Risk and Capital Management (continued)

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Cash is deposited in highly rated corporations and the credit risk associated with these deposits is low. At June 30, 2022, the Company's maximum exposure to credit risk is the carrying value of its cash and receivables.

Capital management

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

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

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

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

Fair value hierarchy

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

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

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

Cash and investments fall under Level 1.

There were no transfers between levels during the period.

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Notes to the condensed interim consolidated financial statements

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16. Subsequent Events

- a) On July 18, 2022, the Company granted 515,123 DSUs to settle \$53,965 in directors' fees.
- b) On July 18, 2022, the Company granted 485,140 RSUs to a director of the Company with fair market value of \$54,327.
- c) On July 18, 2022, the Company granted 1,100,000 stock options to employees and consultants of the Company at an exercise price of Cdn\$0.15 with fair market value of Cdn\$121,548.