



The following Management's Discussion and Analysis ("MD&A") focuses on significant factors that affected Candente Copper Corp. ("Candente Copper") and its subsidiaries (collectively, the "Company") during the relevant reporting period and to the date of this report. This MD&A contains a review and analysis of the financial results for the nine months ended September 30, 2017, and identifies business risks that the Company faces and comments on the financial resources required for the development of the business.

This MD&A supplements, but does not form part of the condensed consolidated interim financial statements of the Company and the notes thereto for the nine months ended September 30, 2017, and consequently should be read in conjunction with the afore-mentioned financial statements and notes thereto and with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2016. The information in this MD&A is current as of November 9, 2017.

All amounts, unless specifically identified as otherwise, both in the Company's consolidated financial statements and this MD&A are expressed in U.S. dollars.

## **FORWARD-LOOKING STATEMENTS**

This MD&A contains certain "forward-looking information" which may include, but is not limited to, statements with respect to future events or future performance, management's expectations regarding the Company's growth, results of operations, estimated future revenues, requirements for additional capital, production costs and revenue, future demand for and prices of copper and precious metals, business prospects and opportunities. In addition, statements relating to mineral estimates or mineralized material of recoverable copper and precious metals are forward-looking information, as they involve implied assessment, based on certain estimates and assumptions, that the copper and precious metals can be profitably produced in the future. Such forward-looking information reflects management's current beliefs and is based on information currently available to management. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "predicts", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative or grammatical variations) of such words and phrases or may be identified by statements to the effect that certain actions "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. A number of known and unknown risks, uncertainties and other factors may cause the actual results or performance to materially differ from any future results or performance expressed or implied by the forward-looking information. Such factors include, among others, general business, economic, competitive, political and social uncertainties; development and/or exploration activities and the accuracy of probability simulations prepared to predict prospective mineral resources; changes in project parameters as plans continue to be refined; political instability or insurrection or war; labor force availability and turnover; delays in obtaining governmental approvals and permits or in the completion of development or construction activities or in the commencement of operations; as well as those factors discussed in the section entitled "Risks Factors" in this MD&A. These factors should be considered carefully and readers of this MD&A should not place undue reliance on forward-looking information.

Although the forward-looking information contained in this MD&A is based upon what management believes to be reasonable assumptions, there can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. Such forward-looking information is made as of the date of this MD&A and, other than as required by applicable securities laws, Candente Copper assumes no obligation to update or revise such forward-looking information to reflect new events or circumstances.

## **USE OF NON-GAAP MEASURES**

In this document, we refer to terms that do not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS"). Our usage of these terms may vary from the usage adapted by



other companies and they cannot be reconciled to comparable terms in the Company's consolidated financial statements for the year ended December 31, 2016.

In this document and in the Company's consolidated financial statements, unless otherwise noted, all financial data is prepared in accordance with IFRS.

## **BUSINESS OVERVIEW AND STRATEGY**

Candente Copper is a Vancouver, Canada based mineral exploration company engaged in the acquisition, exploration and development of mineral rights interests. The Company is currently focused on the exploration and development of its Cañariaco porphyry copper project (the "Cañariaco Project"), which comprises the Cañariaco Norte and Cañariaco Sur deposits, as well as the Quebrada Verde prospect (collectively, the "Cañariaco Copper Project") located in Northern Peru. The Company also holds other early stage base metal properties located in Peru.

Cañariaco Norte is at the Feasibility Study stage of development. At Cañariaco Sur a deposit has been identified but further drilling is required to delineate the size and grade of the deposit. The Quebrada Verde prospect has geochemical, geophysical and geological targets typical of porphyry copper-gold mineralization, which are currently untested by drilling.

## **PROJECT SUMMARIES**

*The forward-looking information contained in this section is subject to the risk factors and assumptions contained in the section "Forward-Looking Statements" included with this MD&A. These factors are described under the heading "Risk Factors" and are Non-GAAP measures.*

### **Cañariaco Copper Project**

The Cañariaco Copper Project is an advanced stage porphyry copper exploration and development project located in Northern Peru. The Company's main focus is to conduct an exploratory search for additional mineral deposits within the Cañariaco Copper Project and to progress development of the Cañariaco Norte Project through completion of a Feasibility Study

The Company has a 100% interest in the mineral rights of the Cañariaco Copper Project.

Due to increasing costs (over time) for holding mineral rights, the Company allowed certain claims to lapse at the end of June 2016 such that the area covered by the Cañariaco Property has been reduced from 10,960 hectares to 7,029.5 hectares. This will not have any material impact on the project as no claims covering known mineralization were surrendered. The claims allowed to lapse had only covered ground, which was considered exploration worthy during initial exploration at Cañariaco Norte. Common industry practice for exploration companies is to rationalize property size to minimize holding costs by dropping non-core claims.

### **Mineral Resource Estimate for the Cañariaco Norte Project**

Mineral resource estimate for the Cañariaco Norte Project, as provided below, was prepared by AMEC Americas Ltd. ("AMEC"). A NI 43-101 Technical Report with effective date of November 8, 2010, and titled "Cañariaco Project, Lambayeque Department, Peru", was filed on December 15, 2010, with Canadian securities regulators in support of the resource statement.



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

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

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

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

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

In January 2011, AMEC completed a positive pre-feasibility study progress report for the Cañariaco Norte Project entitled "Cañariaco Norte Project, Prefeasibility Study Progress Report" (the "January 2011 Pre-Feasibility Study Progress Report"). In March 2011, AMEC completed a NI 43-101 Technical Report entitled "Cañariaco Project, Lambayeque Department, Peru, NI 43-101 Technical Report on Pre-Feasibility Study Progress Report", details of which are disclosed in the Company's Annual Information Form for the year ended December 31, 2011.

In November 2011, the Company completed a re-assessment of the Cañariaco Norte Project economics using the new Peruvian mining tax rates that became effective at that time. The after-tax NPV, IRR and payback period for the Cañariaco Norte Project were estimated to be \$912 million, 17.2% and 4.4 years respectively, using an averaged long-term copper price of \$2.25 per pound and a discount rate of 8%.

Management now considers these long-term calculations on copper price to be inconsistent with current industry consensus. Furthermore, the Peruvian corporate tax rate was revised to 29.5% as of January 1, 2017. Given both factors mentioned, the Company has revised the November 2011 financial model to reflect the sensitivity of the project economics to an updated range of metal prices and the updated Peruvian corporate tax rate. The following sensitivity table shows that using copper prices ranging from \$2.25 to \$2.90 per pound, gold prices ranging from \$1,235.00 to \$1,500.00 per ounce, and a fixed silver price of \$18.00 per ounce, the after-tax NPV, IRR and payback periods are now estimated to range from: \$672 million to \$1,505 million; 14.3% to 21.1%; and 5.5 to 3.9 years respectively.



**Table 2 - Sensitivities (8% discount, after tax)**

Gold Price \$/oz	NPV / IRR	Copper Price \$/lb			
		\$2.25	\$2.50	\$2.75	\$2.90
\$1,235.00	<b>NPV \$M</b>	672	980	1,285	1,459
\$1,235.00	<b>IRR %</b>	14.3	16.9	19.4	20.8
\$1,500.00	<b>NPV \$M</b>	719	1,025	1,332	1,505
\$1,500.00	<b>IRR %</b>	14.7	17.3	19.8	21.1

AMEC FW - 4<sup>th</sup> Qtr 2010 Pre-production Capex - \$1.5 billion  
 AMEC FW – 2<sup>nd</sup> Qtr 2016 Long term pricing Cu \$2.90 / Au \$1,235 / Ag \$18

From April 2011 to June 2013, the Company engaged AMEC and Knight Piesold for certain aspects of a definitive Feasibility Study. During that time, metallurgical drilling was completed; 50% of geotechnical drilling was conducted; site layout, process plant, infrastructure and ancillary facilities design was well advanced; preliminary mine design was completed; and the Environmental and Social Impact study was approximately 80% completed. Since June 2013, all activities other than certain Community Engagement and Initiatives have been minimized in order to reduce corporate expenditures.

Given a renewed interest in exploration by investors, the Company has recently been evaluating drill targets at Cañariaco Sur and Quebrada Verde and is considering to re-initiate exploration in these areas once investor interest allows sufficient funds to be raised.

**Exploration activities for the nine months ended September 30, 2017**

There has been no field activity for the reporting period.

**Don Gregorio**

The Don Gregorio property is located in northern Peru 140 km NNE of Chiclayo in the department of Cajamarca and approximately 40 km north of the Cañariaco Norte Project porphyry Cu-Au deposit (M & I resource at 0.3% Cu cut-off: 752Mt at 0.45% Cu, 0.07 g/t Au and 1.9 g/t Ag). A 100-hectare concession at the south end of the property was sold in February 2015, and the property now consists of one mineral concession totaling 900 hectares.

On May 12, 2017, the Company announced it has entered a binding Memorandum of Understanding ("MOU") to option the Don Gregorio copper-gold ("Cu-Au") porphyry project, located in Jaen Province, Peru, to Plan B Minerals Corp. ("Plan B").

In accordance with the MOU, Plan B has the right to earn a 60% interest in the Don Gregorio property from the Company by:

1. Making staged payments of \$500,000 to Candente Copper; and
2. Drilling 10,000 metres ("m") within 3 years of receiving drilling permits.

To date, the Company has received payments of \$100,000 with respect to this transaction. One-half of the aforementioned payments are to be used to fund Candente Copper team's work in community engagement and agreements. The Company is to also receive \$100,000 on or before 30 days of receipt of drill permits



for the first phase drill program, a further \$100,000 within 30 days of completing the first phase drill program (5,000m) and the final \$200,000 within 60 days of completing the second phase drill program (an additional 5,000m).

***Exploration activities for the nine months ended September 30, 2017***

There has been no field activity for the reporting period.

**Arikepay**

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 six mineral claims totalling 4,000 hectares. Prior to Candente Copper's acquisition of Arikepay, Phelps Dodge had completed several holes of RC drilling, however the Company has never been able to acquire results from that program. In 2012, the Company completed 3,630m of Reverse Circulation drilling in 14 widely spaced holes and identified a porphyry copper-gold deposit.

On November 28, 2013, Cobriza Metals Peru, now a wholly owned subsidiary of the Company, entered into an option agreement with Compañía Minera Zahena S.A.C. ("Zahena") allowing them to earn up to 100% interest in the Arikepay project (the "Option Agreement") for various work commitments, cash payments and a NSR. By March 2016, the Company had received \$250,000 in cash payments. On March 17, 2017, the Company announced that Zahena had elected to discontinue their option as drilling results did not meet their objectives. As a result, no further payments will be received from Zahena.

***Exploration activities for the nine months ended September 30, 2017***

Exploration drilling by Zahena commenced on the Arikepay property on October 26, 2016, and was completed on March 17, 2017. Fourteen diamond drill holes were completed for more than 8,500m. Although the mineralized system encountered in drilling is robust in terms of size and strength of alteration and mineralization, the copper and gold grades associated with the mineralized system did not meet Zahena's threshold for them to continue to earn an interest in the property. Results have been received and are being reviewed to determine what additional exploration may be warranted.

**CONSOLIDATED OPERATING HIGHLIGHTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017, AND 2016**

<b>Operating Highlights</b>	<b>September 30, 2017</b>	<b>September 30, 2016</b>	<b>Change</b>
Mineral rights acquisition and surface access	\$ 138,619	\$ 112,266	\$ 26,353
Community engagement and initiatives	77,987	19,969	58,018
Exploration	-	37,264	(37,264)
Drilling	-	8,142	(8,142)
Project management and field support	116,934	143,508	(26,574)
Cost recoveries	(8,500)	-	(8,500)
<b>Total before royalty and option payments</b>	<b>325,040</b>	<b>321,149</b>	<b>(22,462)</b>
Royalty and option payments received	(105,952)	(200,000)	94,048
<b>Total mineral properties</b>	<b>\$ 219,088</b>	<b>\$ 121,149</b>	<b>\$ 71,586</b>



**Nine months ended September 30, 2017, versus 2016**

During the nine months ended September 30, 2017, main activities at the Cañariaco Copper Project consisted of limited community based activities under the ongoing Sustainable Development program and environmental monitoring as required by the existing drilling permit. Feasibility Study engineering activities also remain on hold pending strengthening of the Company's financial resources.

Below are mineral property costs incurred for the nine months ended September 30, 2017, compared with the same period in 2016:

- Mineral rights acquisition and surface access costs increased to \$138,619 from \$112,266. These costs are related to annual payments to maintain the properties in good standing.
- Community engagement and initiatives relate to the Company's community relations, communication and development programs. Total costs incurred for these programs for the nine months ended September 30, 2017, totaled \$77,987 versus \$19,969 for the same period in 2016.
- Project management and field support costs include costs related to the maintenance of the corporate and operational overhead structure in Peru. Individually, these costs include: salaries and wages of personnel in Lima, Chiclayo and the Cañariaco Copper Project camp facility, communication, transportation, drill core and equipment storehouse facility, food, lodging and fuel costs. For the nine months ended September 30, 2017, these costs totalled \$116,934 compared with \$143,508 for the same period in 2016. The decrease was related to a management decision to conserve cash until the Company completed a new financing.
- Drilling and exploration costs for the nine months ended September 30, 2017, were \$nil compared to \$45,406 for the nine months ended September 30, 2016. The decrease was related to a management decision to conserve cash until the Company completed a new financing.

**CONSOLIDATED OPERATING HIGHLIGHTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017, AND 2016**

<b>Operating Highlights</b>	<b>September 30, 2017</b>	<b>September 30, 2016</b>	<b>Change</b>
Mineral rights acquisition and surface access	\$ -	\$ -	\$ -
Community engagement and initiatives	34,045	8,000	26,045
Drilling	-	2,277	(2,277)
Exploration	-	14,194	(14,194)
Project management and field support	38,898	69,094	(30,196)
Cost recoveries	-	-	-
<b>Total before royalty and option payments</b>	<b>72,943</b>	<b>93,565</b>	<b>(20,622)</b>
Royalty and option payments received	(50,228)	-	(50,228)
<b>Total mineral properties</b>	<b>\$ 22,715</b>	<b>\$ 93,565</b>	<b>\$ (70,850)</b>



Below are mineral property costs incurred for the three months ended September 30, 2017, compared with the same period in 2016:

- Community engagement and initiatives relate to the Company's community relations, communication and development programs. Total costs incurred for these programs for the three months ended September 30, 2017, totaled \$34,045 versus \$8,000 for the same period in 2016 due to a reallocation of costs made in the prior year period.
- Project management and field support costs include costs related to the maintenance of the corporate and operational overhead structure in Peru. Individually, these costs include: salaries and wages of personnel in Lima, Chiclayo and the Cañariaco Copper Project camp facility, communication, transportation, drill core and equipment storehouse facility, food, lodging and fuel costs. For the three months ended September 30, 2017, these costs totalled \$38,898 compared with \$69,094 for the same period in 2016. The decrease is related to a management decision to conserve cash until the Company completed a new financing.
- Drilling and exploration costs for the three months ended September 30, 2017, were \$nil compared to \$16,471 for the three months ended September 30, 2016. The decrease is related to a management decision to conserve cash until the Company completed a new financing.

## CONSOLIDATED FINANCIAL HIGHLIGHTS

*Consolidated Financial Performance and Financial Position for the nine months ended September 30, 2017.*

*For a summary of selected information for each of the last eight quarters please refer to Appendix A.*

<b>Consolidated Statements of Financial Position</b>			
	<b>September 30, 2017</b>	<b>December 31, 2016</b>	<b>Change</b>
Cash	\$ 630,769	\$ 335,781	\$ 294,988
Mineral properties	\$ 65,141,429	\$ 64,788,587	\$ 352,842
Total Assets	\$ 66,740,324	\$ 66,108,498	\$ 631,826
Share Capital	\$ 83,867,150	\$ 82,951,197	\$ 915,953

<b>Consolidated Statements of (Income) Loss</b>			
<b>Nine Months Ended</b>			
	<b>September 30, 2017</b>	<b>September 30, 2016</b>	<b>Change</b>
Net loss	\$ 201,902	\$ 51,150	\$ 150,752
Loss per share	\$ (0.00)	\$ (0.00)	\$ -
Gain on forgiveness of payables	\$ -	\$ (430,158)	\$ 430,158
Gain on foreign exchange	\$ (124,813)	\$ (165,029)	\$ 40,216
Accounting, audit and tax advisory fees	\$ 43,586	\$ 56,661	\$ (13,075)
Legal	\$ 22,729	\$ 8,020	\$ 14,709
Management fees, office salaries and benefits	\$ 126,287	\$ 127,008	\$ (721)
Office, rent and miscellaneous	\$ 32,876	\$ 42,010	\$ (9,134)
Regulatory and filing fees	\$ 16,948	\$ 30,190	\$ (13,242)
Shareholder communications	\$ 50,037	\$ 25,252	\$ 24,785
Share-based payments	\$ -	\$ 309,732	\$ (309,732)



**Nine months ended September 30, 2017**

Total cash as of September 30, 2017, increased from December 31, 2016, by \$294,988 due to the September 14, 2017, private placement financing.

Net loss for the nine months ended September 30, 2017, is higher by \$150,752 compared to the same period in 2016. The increase is attributable to the gain on forgiveness of related party payables of \$430,158 and an increase of \$40,216 in the foreign exchange gain realized during the nine months ended September 30, 2016.

These gains were partially offset by higher general and administrative expenses for the nine months ended September 30, 2016. Significant variances in general and administrative expenses are described below.

- Share-based payments for the nine months ended September 30, 2017, is \$nil compared to \$309,732 for the nine months ended September 30, 2016. The decrease is related to 5,250,000 options issued in May 2016. No options were issued during the nine months ended September 30, 2017.
- Shareholder communications for the nine months ended September 30, 2017, increased by \$24,785 from the same period in 2016. The increase is related to an increase in activity to promote the Company's properties with higher travel costs and trade show expenses.

**Consolidated Financial Performance for the three months ended September 30, 2017.**

<b>Consolidated Statements of Income</b>			
<b>Three Months Ended</b>			
	<b>September 30, 2017</b>	<b>September 30, 2016</b>	<b>Change</b>
Net loss	\$ 110,059	\$ 260,669	\$ (150,610)
Loss per share	\$ (0.00)	\$ (0.00)	\$ -
Gain on forgiveness of payables	\$ -	\$ (2,672)	\$ 2,672
Loss (gain) on foreign exchange	\$ (2,989)	\$ 95,991	\$ (98,980)
Accounting, audit and tax advisory fees	\$ 14,533	\$ 17,305	\$ (2,772)
Legal	\$ 9,270	\$ 2,016	\$ 7,254
Management fees, office salaries and benefits	\$ 47,465	\$ 77,086	\$ (29,621)
Office, rent and miscellaneous	\$ 10,720	\$ 15,705	\$ (4,985)
Regulatory and filing fees	\$ 5,182	\$ 9,706	\$ (4,524)
Shareholder communications	\$ 15,172	\$ 22,880	\$ (7,708)
Share-based payments	\$ -	\$ 10,638	\$ (10,638)

Net loss for the three months ended September 30, 2017, is lower by \$150,610 compared to the same period in 2016. The decrease is attributable to a \$98,980 higher foreign exchange loss and higher general and administrative expenses incurred during the three months ended September 30, 2016.

Significant variances in general and administrative expenses are described below.





- Share-based payments for the three months ended September 30, 2017, is \$nil compared to \$10,638 for the three months ended September 30, 2016. The decrease is related to the vesting of options issued in 2016. No options were issued in 2017.
- Management fees, office salaries and benefits for the three months ended September 30, 2017, decreased by \$29,621 from the same period in 2016. The decrease is partially due to the capitalization of management fees to unproven mineral rights interests in the current period. All management fees were expensed in the prior year period.

## **OPERATIONAL OUTLOOK**

*The forward-looking information contained in this section is subject to the risk factors and assumptions contained in the section "Forward-Looking Statements" included with this MD&A. These factors are described under the heading "Risk Factors" and are Non-GAAP measures.*

There has been no drilling activity for the reporting period.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's capital resources include existing cash of \$630,769 and trade and receivables of \$626,403. Given the current global resource sector slowdown, the Company has significantly reduced expenditures and is focusing primarily on initiatives that benefit the community and maintain the Company's presence in the Cañariaco Copper Project area.

These interim condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. As at September 30, 2017, the Company has incurred \$31.79 million cumulative losses since inception.

On September 14, 2017, the Company completed a private placement, issuing 11,581,780 units at a price of CDN \$0.09 per unit for gross proceeds of \$854,534 (CDN \$1,042,360) which includes shares issued for the settlement of debts owed to directors in the amount of \$64,051 and to settle trade payables of \$79,334. Each unit consists of one common share and one-half of one common share purchase warrant, whereby each whole warrant entitles the holder thereof to purchase one common share at \$0.15 per common share for a period of two years from the date of issue. The warrants were valued at \$nil using the residual method. Share issue costs of \$38,030 were incurred in connection with the private placement.

The Company does not generate cash flows from operations and accordingly, the Company has depended on financing its activities through the issuance of securities and other financial instruments. 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 obligations as they come due in the normal course of business. These factors 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 amounts on the statement of financial position.



## SHARE CAPITAL

As the date of this report, the Company had 177,701,530 common shares outstanding.

As the date of this report, the Company had 13,124,500 outstanding share options and 16,188,911 outstanding warrants.

## COMMITMENTS

In July 8, 2012, the Company signed a land use agreement with the community of San Juan de Cañaris, by which the community authorized the Company to use the land for exploration purposes for three years. The Company had committed 1,500,000 soles (\$550,000) to fund sustainable development programs subject to specific project approval by the parties. 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. While much of this funding was completed by July 8, 2013, there are still some remaining commitments related to this which will be negotiated as part of the next Community Agreement.

## RELATED PARTY TRANSACTIONS

The Company's related parties consist of companies owned by executive officers and directors and Companies with common officers and directors. The following is a list of the related parties that the Company enters into trading transactions with:

- Ridley Rocks Inc. – Management and exploration fees
- SW Project Management – President, project management and engineering fees
- Michael Thicke Geological Consulting Inc. – Exploration fees
- Candente Gold Corp. – Shared expenses with a company related by common directors and management

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.

	<b>Nine months ended September 30,</b>	
	<b>2017</b>	<b>2016</b>
Salaries and fees	\$ 101,782	\$ 123,740
Share-based payments	-	304,924
	<b>\$ 101,782</b>	<b>\$ 428,664</b>

The Company does not remunerate the directors of the Company unless its market capitalization is greater than \$75 million. In 2017, the Company paid \$nil in directors' fees (2016 - \$nil).

Included in salaries and fees is \$43,269 (2016 - \$nil) which was capitalized to unproven mineral right interests. Amounts due to and from related parties are unsecured, non-interest bearing and due on demand.



Trade payables and accrued liabilities at September 30, 2017, included \$461,467 due to related parties (December 31, 2016 – \$371,287) and \$nil in loans from related parties (December 31, 2016 - \$13,406). Trade and other receivables at September 30, 2017, included \$600,005 (December 31, 2016 - \$595,362) due from Candente Gold Corp., a company with common officers and directors.

During the nine-month period ended September 30, 2017, the President, CEO, and VP Exploration forgave fees owed to them in the amount of \$nil (2016 – \$430,158).

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company's significant accounting policies are summarized in Note 3 of its consolidated financial statements for the year ended December 31, 2016. The preparation of consolidated financial statements in accordance with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the consolidated financial statements. The Company regularly reviews its estimates, however; actual amounts could differ from the estimates used and, accordingly, materially affect the results of operations.

### **(a) Critical accounting estimates**

#### **i. Estimated useful lives**

Management estimates the useful life of equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors could cause significant changes in the estimated useful lives of the Company's equipment in the future.

#### **ii. Valuation of share-based payments and warrants**

When options and warrants are issued, the Company calculates estimated fair value using a Black-Scholes valuation model, which may not reflect the actual fair value on exercise. The Company uses historical Company stock prices and estimated dividend yield rates to arrive at the inputs that are used in the valuation model to calculate the fair value of the option or warrant.

#### **iii. Income taxes**

Determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each applicable jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize a deferred tax asset could be materially impacted.

### **(b) Critical accounting judgments**

#### **i. Unproven mineral right interest**

Unproven mineral right interest includes the cost of acquiring licenses, exploration, analyses, project administration, drilling, community relations, sustainable development programs, environmental, health and safety. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist, the rights of tenure are current, and it is considered probable that the costs will be recouped through successful development



and exploitation of the known deposit. Management is required to exercise significant judgment in determining the timing of the determination of the technical and economic feasibility of the unproven mineral right interest. The Company considers both external and internal sources of information in assessing whether there are any indicators that unproven mineral right interest are impaired. Based upon the Company having no intention of abandoning the Cañariaco Copper Project, the Company's assessment of its market capitalization and the Company's assessment of the fair value based on in-situ mineral content and other fair value less costs to sell measures, management has determined that there is no impairment charge as at September 30, 2017.

ii. Rehabilitation and environmental provisions

The Company has accounted for material rehabilitation and environmental provisions that existed as of the year end based on facts and circumstances that existed as of December 31, 2016. The Company reviews facts and circumstances surrounding its exploration program, existing laws and compliance, contracts and other policies on an ongoing basis. A material restoration obligation involves a number of estimates relating to timing, type of costs and associated contract negotiations, and review of potential methods and technical advancements. At this time rehabilitation and environmental obligations pertain to the reclamation of exploration drill sites, access paths, and other areas at the Cañariaco Copper Project site that may have been impacted by the drilling activities.

## **CONTROL MATTERS**

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management as is appropriate to permit timely decisions regarding public disclosure.

Management is reasonably confident that material information relating to the Company, including its consolidated subsidiaries, is being made known to senior management in a timely manner, and that the Company's disclosure controls and procedures are effective not only with respect to the Company's annual filing requirements but on an ongoing basis.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")**

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that accurately and fairly reflect the additions to and dispositions of the assets of the Company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and the Company's receipts and expenditures are made only in accordance with authorization of management and the Company's directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual or interim financial statements.

Any system of internal controls over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

An evaluation of the design effectiveness of the Company's internal controls over financial reporting was conducted as of September 30, 2017, by the Company's management. Based on this evaluation, the Company's CEO and CFO have concluded that the design, disclosure controls, procedures and the



effectiveness of the Company's internal controls over financial reporting was and is effective. The Board of Directors is ultimately responsible for ensuring that the internal control of financial reporting is effective and has been overseeing the Company's Management in this regard.

There were no changes in the Company's internal control over financial reporting during the period from January 1, 2017, to September 30, 2017, that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

## **RISK FACTORS**

The Company is subject to a number of significant risks due to the nature and the current stage of its business and the effect of worldwide economic conditions. Exploration of unproven mineral right interest involves a high degree of technical, financial and social risk. While discovery of a mineral deposit may result in substantial rewards, few exploration properties are ultimately developed into producing mines. Major expenditures may be required to establish resources and reserves by drilling, constructing mining and process facilities, developing metallurgical processes and extracting base and precious-metals. It is impossible to ensure that the current exploration programs of the Company will result in profitable commercial mining operations.

Risk factors that should be taken into account in assessing the Company's activities and any investment in the Company include, but are not limited to, those listed below. Any one or more of these risk factors could have a material impact on the financial condition of the Company. This information, by its nature, is not all-inclusive and risk factors that have not been listed could have a material impact on the future financial condition of the Company.

### ***Economic conditions may prevent the Company from obtaining the capital required to continue operations***

The Company's ability to continue operations is contingent on its ability to obtain additional financing. Equity market conditions, funding environments and the price of the Company's common shares may make it dilutive and difficult to raise funds by the sale of the Company's shares. An investment in the shares of a junior resource company is considered to be a high-risk investment. In the past, the Company has been successful in raising capital for its exploration and development activities; however, there is no assurance that financing will be available to the Company in future periods.

### ***History of Losses***

The Company incurred a net loss for the nine months ended September 30, 2017, of \$201,902 and is expected to generate losses while it continues to be an exploration and development-stage company. The Company anticipates significant expenditures for its mineral exploration programs. The Cañariaco Norte Project has a 43-101 compliant mineral resource and has received a NI 43-101 Technical Report entitled "Cañariaco Project, Lambayeque Department, Peru, NI 43-101 Technical Report on Pre-feasibility Study Progress Report". In addition, Feasibility level studies commenced in April 2011, with AMEC as the lead engineering consultant. Having said this, most exploration projects do not result in the discovery of commercially productive mineral reserves and are ultimately expensed in full. The Company could in fact be required to report net losses into the foreseeable future.

The long-term profitability of the Company's operations will be in part directly related to the success of its exploration programs, which are affected by numerous factors including the cost of such programs, the amount of mineral resources or reserves discovered and fluctuations in the price of any minerals produced.



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### ***Dilution***

The Company does not generate any revenues from production and may not have sufficient financial resources to undertake by itself all of its planned exploration, feasibility and development programs. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company assesses various options for financing however the Company may need to continue its reliance on the sale of such securities for future financing, resulting in potential dilution to the Company's existing shareholders. The amount of additional funds required will depend largely on the success of the Company's exploration programs and extent of future development activities.

Further exploration programs will depend on the Company's ability to obtain additional financing which may not be available under favorable terms, if at all. If adequate financing is not available, the Company may not be able to commence or continue with its exploration and development programs or to meet minimum expenditure requirements to prevent the full or partial loss of its mineral properties.

### ***No Known Mineral Reserves***

The Company's mineral properties are in the exploration stage and although one property, the Cañariaco Norte Project, has established 43-101 compliant mineral resources, it is without known mineral reserves. Although the Company may discover mineral reserves through its exploration programs, commercial production may not be warranted due to insufficient quantities or unfavourable economic conditions.

In the event a mineral reserve is discovered, substantial expenditures are required to develop the mineral reserve for production including facilities for mining, processing, infrastructure and transportation. The marketability of any minerals discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately predicted, such as global economic conditions, mineral markets and mineral pricing, global smelting and refining availability, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the price of minerals produced, the Company may determine that it is not warranted to commence or continue commercial production.

### ***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.



### ***Key Personnel***

The Company is dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on the operations of the Company. The Company's success is dependent to a great degree on its ability to attract and retain qualified management personnel. The loss of such key personnel, through incapacity or otherwise, may require the Company to seek and retain other qualified personnel and could compromise the pace and success of its exploration activities. The Company does not maintain key person insurance in the event of a loss of any such key personnel. Also, certain management personnel of the Company are officers and/or directors of other publicly-traded companies and may devote only part of their time to the Company.

Additionally, the Company has relied on and is expected to continue relying upon consultants and others for exploration and development expertise. In the event a commercial mineral deposit is discovered on any of the Company's properties, the Company will likely continue to require the expertise of such consultants and others for the development and operation of a producing mine.

### ***Industry Operating Hazards and Risks***

Mineral exploration and development involves many risks, including location of commercially productive mineral resources or reserves, which may not occur even with a combination of experience, knowledge and careful evaluation. The operations in which the Company has a direct or indirect interest may be subject to some or all of the hazards and risks normally incidental to resource companies, any of which could result in work stoppages. Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides, social disruptions, political instability and the inability to obtain suitable or adequate machinery, equipment or labour are some of the industry operating risks involved in the development and operation of mines and the conduct of exploration programs. Other risks include injury or loss of life, severe damage to or destruction of property, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. The occurrence of any of these operating risks and hazards may have an adverse effect on the Company's financial condition and operations, and may incur legal liability.

Although the Company will, when appropriate, secure liability insurance in an amount which it considers appropriate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that may have a material adverse effect upon its financial condition and operations.

### ***Government Regulations Political Climate***

Mineral exploration on the Company's properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law reform; (iii) tax laws (iv) restrictions on production, price controls, and tax increases; (v) maintenance of claims; (vi) tenure; and (vii) expropriation of property through nationalization, requisition or confiscation. Any mineral exploration activities conducted by the Company, including commencement of production, require permits from governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in development and/or production and other schedules as a result of the need to comply with applicable laws, regulations and permits. All permits required for the conduct of exploration, development and mining operations, including the construction of mining facilities, may not be obtainable by the Company on reasonable terms, which would have an adverse effect on any mining project the



Company might undertake. Additionally, failure to comply with applicable laws, regulations and permitting requirements may result in 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. Parties engaged in mining exploration, development or operations 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 violations of applicable laws or regulations.

To the best of the Company's knowledge, the Company is and will continue to operate in compliance with applicable legal and environmental regulations and social requirements. However, amendments to current governmental laws and regulations affecting mining companies, or the more stringent application thereof, or shifts in political conditions or attitudes could adversely affect the Company's operations including the potential to curtail or cease exploration programs or to preclude entirely the economic viability of a mineral property. The extent of future changes to governmental laws and regulations cannot be predicted or quantified, but it should be assumed that such laws and regulations will become more stringent in the future. Generally, new laws and regulations will result in increased compliance costs, including costs and time and effort for obtaining permits, and increased delays or fines resulting from loss of permits or failure to comply with the new requirements.

### ***Social Climate***

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

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

- Regular communication with various members of the Community regarding their concerns and needs as well as our activities and objectives.
- Social and Sustainable Development projects and alliances with local and International Non-Governmental Organizations ("NGOs") 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 Cañariaco Copper Project.

### ***Environmental Liability***

Although the Company is not aware of any formal claims for damages related to any impact that its activities have had on the environment, it may become subject to such claims in the future. An environmental claim could adversely affect the Company's business due to the high costs of defending against such claims and its impact on senior management's time.

The Company conducts exploration activities in Peru. Such activities are subject to various laws, rules and regulations governing the protection of the environment. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. 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 properties and a heightened degree of responsibility for companies and their officers, directors and employees.

The Company is committed to compliance with all environmental regulations currently applicable, nevertheless environmental hazards may exist on the Company's mineral properties, which are not known to the Company at present, that have been caused by previous or existing owners or operators.





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Environmental regulations may change in the future which could adversely affect the Company's activities including the potential to curtail or cease exploration programs or to preclude entirely the economic development of a mineral property. The extent of any future changes to environmental regulations cannot be predicted or quantified, but it should be assumed that such regulations will become more stringent in the future. Generally, new regulations will result in increased compliance costs, including costs for obtaining permits, delays or fines resulting from loss of permits or failure to comply with the new regulations.

***Fluctuations in Metal Prices***

Although the Company does not hold any known mineral reserves, its future revenues, if any, are expected to be in large part derived from the future mining and sale of base and precious metals or interests related thereto. The prices of these commodities have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to other new mine developments and improved mining and production methods, availability and costs of metal substitutes, metal stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the price of base and precious metals, and therefore the economic viability of the Company's operations, cannot be accurately predicted.

Depending on the price obtained for any minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

Additional information, including the Company's most recent Annual Information Form, is available on SEDAR at <http://www.sedar.com>



**APPENDIX A**

*Summary of quarterly financial results*

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net income (loss)	(110,059)	(91,843)	20,171	(480,437)	(260,669)	209,519	101,452	\$ (557,280)
Earnings (Loss) Per Share Attributable to Shareholders Basic and Diluted	(0.00)	(0.00)	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ 0.00	\$ (0.00)