CANDENTE
GOLD CORP

Interim Condensed Consolidated Financial Statements
As at and for the six months ended September 30, 2019 and 2018
(Expressed in United States dollars, unless otherwise noted)

NOTICE

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these interim condensed consolidated financial statements then these financial statements must be accompanied by a notice indicating that the interim condensed consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

Candente Gold Corp.
Interim Condensed Consolidated Statements of Financial Position
At September 30, 2019 and March 31, 2019
(expressed in United States dollars unless otherwise noted)

	Note		September 30, 2019		March 31, 2019
Assets					
Current assets					
Cash		$	22,329	$	64,455
Receivables			6,823		8,768
Prepaid expenses and deposits			7,426		9,043
			36,578		82,266
Non-current assets					
Unproven mineral right interests	4		234,570		287,301
Equipment			1,852		2,662
Total non-current assets			236,422		289,963
Total assets		$	273,000	$	372,229
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	4,5,7	$	1,649,323	$	1,492,584
Total Liabilities			1,649,323		1,492,584
Shareholders' deficit					
Share capital	6		24,247,717		24,193,995
Obligation to issue shares	4		53,722		107,444
Reserves	6		5,799,526		5,805,432
Accumulated deficit			(31,477,288)		(31,227,226)
Total shareholders' deficit			(1,376,323)		(1,120,355)
Total liabilities and shareholders' deficit		$	273,000	$	372,229
Nature of operations and going concern	1				

Approved on behalf of the Board of Directors on November 27, 2019

(signed) Larry Kornze
Director

(signed) Ian Ward
Director

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

Candente Gold Corp.
Interim Condensed Consolidated Statements of Comprehensive Loss
For the six months ended September 30, 2019 and 2018
(expressed in United States dollars unless otherwise noted)

	Note	Three months ended September 30, 2019	Three months ended September 30, 2018	Six months ended September 30, 2019	Six months ended September 30, 2018
Expenses					
Exploration expenses	9	**$ 51,593**	$ 48,657	**$ 166,312**	$ 99,732
General and administrative expenses	9	**41,422**	55,563	**82,694**	92,643
		93,015	104,220	**249,006**	192,375
Other (income) expenses					
Loss (gain) on foreign exchange		**1,829**	1,226	**1,056**	4,744
Net loss		**$ (94,844)**	$ (105,446)	**$ (250,062)**	$ (197,119)
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Foreign currency translation		**(25,160)**	(9,911)	**(9,385)**	5,338
Comprehensive loss		**$ (120,004)**	$ (115,357)	**$ (259,447)**	$ (191,781)
Loss per share attributable to shareholders, basic and diluted		**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Weighted average number of common shares outstanding: basic and diluted		**109,206,923**	107,206,923	**108,726,049**	107,206,923

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

Candente Gold Corp.
Interim Condensed Consolidated Statements of Changes in Shareholders’ Equity (Deficit)
For the six months ended September 30, 2019 and 2018
(expressed in United States dollars unless otherwise noted)

	Share Capital		Reserves						
	Total common shares	**Share capital**	**Equity settled employee compensation and warrants**	**Other reserve**	**Foreign currency reserve**	**Total reserves**	**Obligation to issue shares**	**Deficit**	**Total**
Balance at March 31, 2018	107,206,923	$ 24,193,995	$ 5,876,070	$ 52,046	$ (177,581)	$ 5,750,535	$ 107,444	$ (22,885,017)	$ 7,166,957
Share-based payments	-	-	19,104	-	-	19,104	-	-	19,104
Net loss	-	-	-	-	-	-	-	(197,119)	(197,119)
Foreign currency translation	-	-	-	-	5,338	5,338	-	-	5,338
Balance at September 30, 2018	107,206,923	$ 24,193,995	$ 5,895,174	$ 52,046	$ (172,243)	$ 5,774,977	$ 107,444	$ (23,082,136)	$ 6,994,280
Balance at March 31, 2019	**107,206,923**	**$ 24,193,995**	**$ 5,907,257**	**$ 52,046**	**$ (153,871)**	**$ 5,805,432**	**$ 107,444**	**$ (31,227,226)**	**$ (1,120,355)**
Shares issued	**2,000,000**	**53,722**	**-**	**-**	**-**	**-**	**(53,722)**	**-**	**-**
Share-based payments	**-**	**-**	**3,479**	**-**	**-**	**3,479**	**-**	**-**	**3,479**
Net loss	**-**	**-**	**-**	**-**	**-**	-	**-**	**(250,062)**	**(250,062)**
Foreign currency translation	**-**	**-**	**-**	**-**	**(9,385)**	**(9,385)**	**-**	**-**	**(9,385)**
Balance at September 30, 2019	**109,206,923**	**$ 24,247,717**	**$ 5,910,736**	**$ 52,046**	**$ (163,256)**	**$ 5,799,526**	**$ 53,722**	**$ (31,477,288)**	**$ (1,376,323)**

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

Candente Gold Corp.
Interim Condensed Consolidated Statements of Cash Flows
For the six months ended September 30, 2019 and 2018
(expressed in United States dollars unless otherwise noted)

	Six months ended September 30,	
	2019	2018
Cash provided by (used in):		
Operating		
Loss for the period	**$ (250,062)**	$ (197,119)
Items not affecting cash:		
Depreciation	**811**	701
Share-based payments	**3,479**	19,104
Foreign exchange	**(2,981)**	2,525
Changes in non-cash working capital items:		
Decrease (increase) in receivables	**1,945**	(5,865)
Decrease in prepaid expenses and deposits	**1,617**	246
Increase in accounts payable and accrued liabilities	**150,334**	98,500
Net cash used in operating activities	**(94,857)**	(81,908)
Investing		
Value added tax	**(4,702)**	3,333
Option payments received	**60,000**	60,000
Addition to unproven mineral right interests	**(2,567)**	(2,300)
Net cash provided by investing activities	**52,731**	61,033
Net change in cash	**(42,126)**	(20,875)
Cash at beginning of period	**64,455**	36,248
Cash at end of period	**$ 22,329**	$ 15,373

Significant non-cash transactions:

	September 30, 2019	September 30, 2018
Shares issued in accordance with obligation to issue shares	$ 53,722	$ -

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

(Expressed in United States dollars unless otherwise noted)

1. Nature of operations and going concern

Candente Gold Corp. and its subsidiaries (the "Company") are engaged in the exploration of mineral right interests in Mexico and Peru. The Company was incorporated on April 24, 2009 under the Business Corporation Act of British Columbia. The principal subsidiaries of the Company as at September 30, 2019 are as follows:

Subsidiary	Interest	Functional Currency
Candente Mexico Resource Corp.	100%	CDN Dollars
El Oro (BC) Exploration Inc.	100%	CDN Dollars
Candente Gold Peru S.A.	100%	US Dollars
Minera CCM, S.A. de C.V. ("CCM")	100%	US Dollars
Minera CCM El Oro Jales S.A. de C.V.	100%	US Dollars
Candente Mexico Servicios S.A. de C.V.	100%	US Dollars

The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the trading symbol CDG.V. The Company's share options and warrants are not listed.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 27, 2019.

At the date of these interim condensed consolidated financial statements, the Company has not yet determined whether any of its mineral right interests contain economically recoverable mineral reserves. Accordingly, the value of mineral right interests represents cumulative acquisition costs incurred to date and does not necessarily reflect present or future values. The recovery of these costs is dependent upon the discovery of economically recoverable mineral reserves and the ability of the Company to obtain the necessary financing to complete their exploration and development and to resolve any environmental, regulatory, or other constraints.

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. For the six months ended September 30, 2019, the Company had a net loss of $250,062, current liabilities exceed current assets by $1,612,745 at September 30, 2019 and as at September 30, 2019, the Company had cumulative losses since inception of $31,477,288. 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. In addition, 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 indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statement of financial position.

2. Statement of compliance and basis of presentation

These interim condensed 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 interim condensed consolidated financial statements should be

(Expressed in United States dollars unless otherwise noted)

2. Statement of compliance and basis of presentation (continued)

read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2019, which have been prepared in accordance with IFRS issued by the IASB.

3. New Accounting Standards

Leases

The Company adopted all of the requirements of IFRS 16 Leases ("IFRS 16") as of April 1, 2019. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. As the Company has no leases, the adoption of IFRS 16 had no effect on the Company's interim condensed consolidated financial statements.

Other accounting pronouncements with future effective dates are either not applicable or are not expected to have a material impact on the Company's interim condensed consolidated financial statements.

4. Unproven mineral right interests

As at September 30, 2019 and March 31, 2019, the Company's capitalized unproven mineral right interest costs are as follows:

	Balance at April 1, 2019	Acquisition costs and additions	Option payments received	Impairment	Balance at September 30, 2019
Mexican Properties					
El Oro - Hardrock	**$ 1**	**$ -**	**$ -**	**$ -**	**$ 1**
Peruvian Properties	**212,538**	**2,567**	**(60,000)**	**-**	**155,105**
Value-added tax	**74,762**	**4,702**	**-**	**-**	**79,464**
Closing balance	**$ 287,301**	**$ 7,269**	**$ (60,000)**	**$ -**	**$ 234,570**

	Balance at April 1, 2018	Acquisition costs and additions	Option payments received	Impairment	Balance at March 31, 2019
Mexican Properties					
El Oro - Hardrock	$ 8,077,850	$ -	$ (145,160)	$ (7,932,689)	$ 1
El Oro mine tailings	74,840	-	(74,840)	-	-
Peruvian Properties	210,238	2,300	-	-	212,538
Value-added tax	94,014	(2,766)	-	(16,486)	74,762
Closing balance	$ 8,456,942	$ (466)	$ (220,000)	$ (7,949,175)	$ 287,301

4. Unproven mineral right interests (continued)

Mexican Properties

El Oro – Hardrock

On January 31, 2017, the Company acquired the remaining 30% interest in the El Oro Project (the "El Oro Project") in Mexico (the "Transferred Interest") from Desarollos Mineros San Luis, S.A. de C.V. ("DMSL"), a subsidiary of Goldcorp Inc. ("Goldcorp"). The Company now holds a 100% interest in the El Oro Project as it had previously earned a 70% interest in the El Oro Project from Goldcorp. As consideration for the acquisition of the Transferred Interest, the Company agreed to issue to DMSL (or its nominee) an aggregate of 5,000,000 common shares of the Company. 1,000,000 common shares were issued on the date of acquisition of the Transferred Interest (issued with a fair value of $26,861 (CDN$35,000)) and further tranches of 1,000,000 common shares are to be issued to DMSL (or its nominee) on the four successive anniversary dates, with the Company having the right but not the obligation to issue any or all of such 4,000,000 common shares in advance of such anniversary dates in its sole discretion. The 4,000,000 common shares were fair valued at $107,444 (CDN$140,000) and were recorded as an obligation to issue shares as at March 31, 2017. During the six months ended September 30, 2019, 2,000,000 of the 4,000,000 common shares were issued and the obligation to issue shares was reduced to $53,722 (Note 6 b).

The property consists of twenty-six claims and is subject to two 3% net smelter return ("NSR") royalty agreements. One agreement is on twenty of the twenty-six claims and the other is on twelve of the twenty-six claims.

For the year ended March 31, 2017, bi-annual land holding payments were made by Goldcorp. When the Company acquired the remaining 30% of the El Oro property in January 2017, these payments became the responsibility of the Company, and, as at September 30, 2019, $636,514 (March 31, 2019 - $472,003) has been accrued as a liability to the Mexican government for land holding costs.

El Oro Mine Tailings

During the year ended March 31, 2014, the Company signed an agreement with the Municipality of El Oro ("Municipality") that provides the Company with the access and processing rights to tailings deposits. Upon signing the agreement, $25,000 was due and paid with monthly contributions of $3,000 for community projects. The Municipality cancelled the obligation to pay $3,000 per month in April 2015, when their tourist activities in the San Juan tunnel started interfering with normal usage of the tunnel by the Company. Under the terms of the agreement, the Company will pay an 8% net profit interest royalty ("NPI") to the Municipality on any products produced from the tailings properties. The Company is entitled to retain the first $1,500,000 of the 8% NPI payable to the Municipality.

On March 8, 2016, the Company entered into an agreement with Sun River Gold Corp. ("SRG") to grant SRG the right and option to earn a 51% interest in the Company's tailings project in El Oro Mexico. On November 9, 2018, the 2016 Agreement was superseded by a new Letter of Intent ("LOI") granting SRG the right and option to further test and, if proven economic, develop and operate the Company's tailings project in El Oro Mexico, through an indirect ownership of the Company's Mexican subsidiary, Minera CCM EL Oro Jales, S.A. de C.V. ("CCM El Oro Jales"), according to the agreement CCM EL Oro Jales executed with the Municipality of El Oro.

The LOI was superseded by a definitive agreement signed in November 2018. In order to exercise the option, SRG is required to make staged payments totaling US$300,000 (paid), over a period of fifteen months, commencing upon the date of signing of the LOI; bring the mine tailings properties into commercial production within 36 months of the effective date of the option agreement; and grant to the Company a 10% of NPI royalty on production from the properties. The definitive agreement also allows SRG to reduce the NPI payable to the Company to 5% by paying an additional US$200,000 in

(Expressed in United States dollars unless otherwise noted)

4. Unproven mineral right interests (continued)

increments of $50,000 at the end of each quarter, commencing 18 months from the date of the LOI. SRG will also assume responsibility for the NPI payable to the Municipality. Upon making the totality of the staged payments and, if commercial production has been achieved on time, SRG will indirectly acquire a 100% interest in CCM El Oro Jales. On July 2nd, 2019 Sun River paid the Company $25,000 and on September 17th, 2019 the following amended schedule of payments was agreed to by both parties: $35,000 on or before September 20th, 2019 (paid); $35,000 on or before November 20th, 2019 (paid) and $105,000 on or before December 20th, 2019.

During the year ended March 31, 2019, the Company recorded an impairment charge of $7,949,175 on the El Oro property. The charge was in keeping with the Company's accounting policies and IFRS. Should the circumstances arise in the future, IFRS permits a reversal of charges. The Company will be maintaining the title to the property and will continue to seek opportunities to advance the project.

Peruvian properties
As at September 30, 2019, the Company has maintained in good standing a portion of the Tres Marias and Las Brujas properties. There is a legal mortgage over the mining concession associated with the Tres Marias property of $50,000 and a 1.5% NSR royalty on the sale of mineral products extracted from the concession, both in favour of a third party.

5. Accounts payable and accrued liabilities

		September 30, 2019		March 31, 2019
Accounts payable	**$**	**938,353**	$	937,976
Accrued liabilities		**710,970**		554,608
	$	**1,649,323**	$	1,492,584

6. Capital and equity reserve

a. Shares authorized

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

b. Shares issued

At September 30, 2019, the Company had 109,206,923 (March 31, 2019 – 107,206,923) common shares issued and outstanding.

During the period ended September 30, 2019, 2,000,000 common shares were issued to DMSL in accordance with the agreement for the acquisition of the Transferred Interest (Note 4).

c. Share 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 discretion of the Board of Directors. Terms of each option award is fixed by the Board of Directors at time of grant. Share option awards have a maximum term of ten years.

(Expressed in United States dollars unless otherwise noted)

6. Capital and equity reserve (continued)

c. Share options (continued)

Stock option transactions for the period ended September 30, 2019 were as follows:

	Number of Options	Weighted Average Exercise Price $
Balance at March 31, 2019	9,695,000	0.06
Granted	250,000	0.05
Expired	(2,445,000)	0.09
Balance at September 30, 2019	7,500,000	0.05

As at September 30, 2019, the following options were exercisable and outstanding:

	Outstanding		**Exercisable**		
Grant date	**Exercise price (CDN$)**	**Number of options**	**Exercise price (CDN$)**	**Number of options**	**Expiry date**
28-Feb-17	0.05	300,000	0.05	300,000	28-Feb-22
20-May-16	0.05	5,000,000	0.05	5,000,000	20-May-26
28-Feb-17	0.05	250,000	0.05	250,000	28-Feb-27
07-May-18	0.05	1,450,000	0.05	1,450,000	07-May-23
01-Oct-18	0.05	250,000	0.05	187,500	01-Oct-23
29-Jul-19	0.05	250,000	0.05	62,500	29-Jul-24
	0.06	7,500,000	0.06	7,250,000	

The Company used the Black-Scholes Option Pricing model under the following weighted average assumptions and recorded total share-based payments expense for the six months ended September 30, 2019 and 2018 of $3,479 and $19,104, respectively:

	Six months ended September 30, 2019	Six months ended September 30, 2018
Risk-free interest rate	1.46%	2.11%
Expected life of options	5 years	5 years
Annualized volatility	165.05%	164.10%
Dividend rate	Nil	Nil

d. Warrants

	Number of Warrants	**Weighted Average Exercise Price (CDN$)**
Warrants outstanding, September 30, 2019 and March 31, 2019	5,000,000	0.10

(Expressed in United States dollars unless otherwise noted)

6. Capital and equity reserve (continued)

e. Reserves

Other reserve:
Other reserve records the reserve resulting from the acquisition of subsidiaries.

Equity settled employee compensation and warrants reserve:
The equity settled employee compensation and warrant reserve recognized as stock-based compensation expense and other warrant payments. At the time that stock options or warrants are exercised, the corresponding amount will be transferred to share capital.

Foreign currency reserve:
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.

f. Obligation to issue shares

Obligation to issue shares consists of the fair value of 2,000,000 common shares that are due to be issued to DMSL for the acquisition of the Transferred Interest (Note 4).

7. Related party disclosures

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

- Ridley Rocks Inc. – Management and exploration fees;
- SW Project Management – Project management and engineering fees;
- Michael Thicke Geological Consulting Inc. – Exploration fees for member group of companies; and
- Candente Copper Corp. - shared administrative expenses with a Company related by directors and management in common.
- Lotz CPA Inc. – Financial services, fees thereto.

a. Related party transactions

The Company incurred the following fees and expenses with companies owned by key management and directors.

	Six months ended September 30,			
		2019		2018
Salaries and management and exploration fees	**$**	**27,838**	$	25,791
Share-based payments		**3,306**		14,925
	$	**31,144**	$	40,716

Share-based payments are the fair value of options expensed for directors and key management personnel during the period ended September 30, 2019 and 2018.

(Expressed in United States dollars unless otherwise noted)

7. Related party disclosures (continued)

b. Balance owing

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at September 30, 2019 includes $196,627 (March 31, 2019 - $176,845) owing to directors and officers and $522,371 (March 31, 2019 - $556,624) owing to Candente Copper Corp., a shareholder of the Company.

c. Management and consulting agreements

On March 1, 2018, the Company entered into a management agreement with a company controlled by the CEO of the Company to provide management services for an indefinite term. Under the agreement, in the event of termination without cause, the Company will pay a one-time termination payment of $200,000. In the event of a change of control, the individual will have the right at any time within 60 days to provide notice of termination and will receive a $500,000 one-time payment. The individual will also be entitled to the $500,000 if they terminate the agreement or there is a termination without cause and a change of control occurs within one year of the effective date of such termination.

On September 28, 2018, the Company entered into a consulting agreement with a company controlled by the CFO of the Company to provide consulting services for an indefinite term. Under the agreement, in the event of termination without cause or the consultant terminating the agreement within 30 days after a change of control, the Company will pay a one-time termination payment of $28,500.

8. Segmented information

The Company operates in one segment being the exploration of mineral properties. The Company operates in three geographical areas, being Peru, Mexico and Canada. Following is an analysis of the Company's non-current assets by geographical area:

			September 30, 2019
	Peru	**Mexico**	**Total**
Unproven mineral right interests	**$234,569**	**$1**	**$234,570**
Equipment	**838**	**1,014**	**1,852**
	$235,407	**$1,015**	**$236,422**

			March 31, 2019
	Peru	Mexico	Total
Unproven mineral right interests	$287,300	$1	$287,301
Equipment	1,019	1,643	2,662
	$288,319	$1,644	$289,963

9. Expenses

	Three months ended September 30, 2019	Three months ended September 30, 2018	Six months ended September 30, 2019	Six months ended September 30, 2018
GENERAL AND ADMINISTRATIVE				
Audit and tax advisory fees	**$ 12,966**	$ 13,092	**$ 20,960**	$ 24,066
Bank charges and interest	**60**	63	**1,441**	113
Depreciation	**374**	314	**811**	701
Legal	**(193)**	3,461	**7,620**	(407)
Management fees, office salaries and benefits (Note 7)	**14,046**	12,682	**27,932**	25,907
Office, rent and miscellaneous	**5,559**	5,495	**11,838**	9,854
Regulatory and filing fees	**5,091**	7,423	**6,645**	9,587
Share-based payments (Note 6,7)	**2,083**	10,463	**3,479**	19,104
Shareholder communications	**1,436**	2,570	**1,968**	3,718
Total general and administrative expenses	**$ 41,422**	$ 55,563	**$ 82,694**	$ 92,643

	Three months ended September 30, 2019	Three months ended September 30, 2018	Six months ended September 30, 2019	Six months ended September 30, 2018
EXPLORATION				
Project administration	**$ 900**	$ 1,095	**$ 1,801**	$ 2,778
Mining fees	**50,693**	47,562	**164,511**	96,954
Total exploration expenses	**$ 51,593**	$ 48,657	**$ 166,312**	$ 99,732

10. Financial risk and capital management

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

a. 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 forecast liquidity position and maintain appropriate liquidity levels. The Company plans to make payments of trade payables and commitments from its current working capital and future sources of equity financing. Liquidity risk is considered to be high.

b. Currency risk

Currency risk is the risk that arises on financial instruments that are denominated in a 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 currency of the Company's subsidiaries is the United States and Canadian dollars and some of the subsidiaries' transactions are denominated in Mexican Pesos and 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 minimal.

10. Financial risk and capital management (continued)

c. 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. Credit risk arises from cash and receivables. Cash are deposited in highly rated corporations and the credit risk associated with these deposits is low.

d. Fair value hierarchy

The interim condensed consolidated statements of financial position carrying amounts for receivables and accounts payable, approximate fair value due to their short-term nature.

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 is measured as Level 1. There were no transfers between levels during the period.

e. Capital management

The Company's capital structure is comprised of the components of shareholders' equity (deficit). 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 the 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 ensure 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 period and the Company is not subject to any restrictions on its capital.