CHAKANA COPPER CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 29, 2020

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the unaudited condensed interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Chakana Copper Corp. (the "Corporation") have been prepared by and are the responsibility of the Corporation's management. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

The Corporation's independent auditor has not performed a review of these condensed interim consolidated financial statements.

April 29, 2020

CHAKANA COPPER CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT FEBRUARY 29, 2020 (UNAUDITED) AND MAY 31, 2019
(Expressed in Canadian Dollars)

		February 29, 2020 (unaudited)		May 31, 2019 (audited)
ASSETS				
Current Assets				
Cash and cash equivalents	$	7,429,800	$	12,279,037
Prepaids and other current assets		182,518		247,727
		7,612,318		12,526,764
Non-Current Assets				
Exploration and evaluation assets (Note 5)		2,487,468		2,163,052
Property and equipment (Note 6)		887,562		902,309
Value-added tax receivable		497,298		412,162
Total Assets	$	11,484,646	$	16,004,287
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities (Notes 7 and 15)	$	353,615	$	526,094
Total Liabilities		353,615		526,094
Shareholders' Equity				
Common shares (Note 8)		29,374,224		29,974,224
Warrant reserve (Note 9)		1,133,947		1,133,947
Stock option reserve (Note 10)		1,587,241		1,512,084
Accumulated and other comprehensive income		764,030		388,082
Deficit		(21,728,411)		(17,530,144)
		11,131,031		15,478,193
Total Liabilities and Shareholders' Equity	$	11,484,646	$	16,004,287

Nature of Operations (Note 1)
Subsequent Event (Note 17)

Approved on behalf of the Board of Directors

/s/ Tom Wharton
Tom Wharton, Director

/s/ Darren Devine
Darren Devine, Director

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

CHAKANA COPPER CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019
(Unaudited – Expressed in Canadian Dollars)

	Three Months Ended February 29, 2020	Three Months Ended February 28, 2019	Nine Months Ended February 29, 2020	Nine Months Ended February 28, 2019
OPERATING EXPENSES				
Consulting fees	$ 92,298	$ 56,878	$ 204,748	$ 170,078
Depreciation	25,399	25,710	75,872	66,656
Exploration and evaluation expenditures (Note 11)	439,027	836,341	2,806,477	3,731,967
General and administrative	125,019	84,838	574,123	366,533
Investor relations	39,097	58,001	159,159	247,609
Legal and professional fees	31,415	49,013	125,669	77,055
Salaries and wages	95,784	148,087	337,488	511,248
Stock-based compensation (Note 10)	58,547	31,306	75,157	146,648
Travel and meals	45,653	46,573	110,408	92,396
Operating Expenses	(952,239)	(1,336,747)	(4,469,101)	(5,410,190)
Other				
Foreign exchange income (loss)	(276,069)	250,713	(461,454)	(124,884)
Write-off of receivable	-	(7,880)	-	(7,880)
Interest income	29,338	19,671	132,288	54,767
Net Loss	(1,198,970)	(1,074,243)	(4,798,267)	(5,488,187)
Other Comprehensive Income (Loss)				
Foreign currency translation	248,595	(191,051)	375,948	95,496
Comprehensive Loss	$ (950,375)	$ (1,265,294)	$ (4,422,319)	$ (5,392,691)
Basic and diluted loss per share	$ (0.01)	$ (0.01)	$ (0.05)	$ (0.07)
Weighted average number of common shares outstanding (basic and diluted)	94,848,199	80,579,530	95,637,803	80,613,572

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

CHAKANA COPPER CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019
(Unaudited – Expressed in Canadian Dollars)

	Nine Months Ended February 29, 2020	Nine Months Ended February 28, 2019
Cash Flows used in Operating Activities		
Net loss	$ (4,798,267)	$ (5,488,187)
Adjustments to reconcile net loss to cash used in operating activities		
Depreciation	75,872	66,656
Stock-based compensation	75,157	146,648
Unrealized foreign exchange	470,850	-
Prepaids and other current assets	65,209	(527,111)
Value-added taxes receivable	(106,976)	-
Accounts payable and accrued liabilities	(172,480)	(33,835)
	(4,390,635)	(5,835,829)
Cash Flows used in Investing Activities		
Purchase of equipment	(91,237)	(682,938)
Acquisition of exploration and evaluation assets	(362,028)	(294,353)
	(453,265)	(977,291)
Cash Flows from Financing Activities		
Proceeds from exercise of warrants	-	17,289
	-	17,289
Changes in cash during the period	(4,843,900)	(6,795,831)
Foreign exchange on cash	(5,337)	95,496
Cash and cash equivalents – beginning of the period	12,279,037	13,159,191
Cash and cash equivalents – end of the period	$ 7,429,800	$ 6,458,856
Cash and cash equivalents consists of		
Cash	$ 4,929,800	$ 1,458,856
Demand deposit – guaranteed investment certificates	2,500,000	5,000,000
	$ 7,429,800	$ 6,458,856
Supplemental disclosures with respect to cash flows		
Cancellation of shares	$ 600,000	$ -
Shares issued on acquisition of property	$ -	$ 330,000

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

CHAKANA COPPER CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Expressed in Canadian Dollars)

	Common Shares						
	Shares	Amount	Accumulated Other Comprehensive Income	Warrant Reserve	Stock Option Reserve	Deficit	Total
Balance – May 31, 2018	80,070,347	$ 21,319,696	$ 72,738	$ 1,143,257	$ 1,346,701	$ (9,641,731)	$ 14,240,661
Net loss for the period		-	-	-	-	(5,488,187)	(5,488,187)
Other comprehensive income for the period		-	95,496	-	-	-	95,496
Vesting of stock options		-	-	-	146,648	-	146,648
Acquisition of property	500,000	330,000	-	-	-		330,000
Warrant exercises	43,225	26,600	-	(9,310)	-	-	17,290
Balance – February 28, 2019	80,613,572	21,676,296	168,234	1,133,947	1,493,349	$ (15,129,918)	9,341,908
Net loss for the period		-	-	-	-	(2,400,226)	(2,400,226)
Other comprehensive income for the period		-	219,848	-	-	-	219,848
Vesting of stock options		-	-	-	18,735	-	18,735
Shares issued for cash	15,686,275	8,000,000	-	-	-	-	8,000,000
Share issuance costs		(80,072)	-	-	-	-	(80,072)
Acquisition of property	900,000	378,000	-	-	-	-	378,000
Balance – May 31, 2019	97,199,847	29,974,224	388,082	1,133,947	1,512,084	$ (17,530,144)	15,478,193
Net loss for the period		-	-	-	-	(4,798,267)	(4,798,267)
Other comprehensive income for the period		-	375,948	-	-	-	375,948
Vesting of stock options		-	-	-	75,157	-	75,157
Cancellation of shares (Note 8)	(4,000,000)	(600,000)	-	-	-	600,000	-
Balance – February 29, 2020	93,199,847	$ 29,374,224	$ 764,030	$ 1,133,947	$ 1,587,241	$ (21,728,411)	$ 11,131,031

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

1. Nature of Operations

Chakana Copper Corp. (the "Corporation" or "Chakana") was incorporated on May 2, 2011, under the laws of the province of British Columbia, Canada, and changed its name from Hadrian Resources Inc. on August 4, 2011 to Chakana Copper Corp. on January 30, 2018. The Corporation is listed on the TSX Venture Exchange ("TSX-V") under the symbol "PERU". The Corporation is currently engaged in exploration of mineral properties, with its principal focus at this stage on the exploration of the Soledad copper-gold-silver project located in central Peru (the "Soledad Project").

The head office and principal address is 800 West Pender Street, Suite 1430, Vancouver, British Columbia, V6C 2V6, Canada. The records office of the Corporation is located at 1055 West Pender Street, Suite 1500, Vancouver, British Columbia, V6E 4V7, Canada.

The Corporation is in the process of exploring and developing its mineral properties. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, successful permitting, the ability of the Corporation to obtain necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of each mineral property. Furthermore, the acquisition of title to mineral properties is a complicated and uncertain process, and while the Corporation has taken steps in accordance with normal industry standards to verify its title to the mineral properties in which it has an interest, there can be no assurance that such title will ultimately be secured. The carrying amounts of mineral properties are based on costs incurred to date, and do not necessarily represent present or future values.

2. Basis of Preparation and Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, and interpretations of the International Financial Reporting Interpretations Committee. Accordingly, these condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting process.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Corporation's audited consolidated financial statements for the year ended May 31, 2019. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of April 29, 2020, the date the Board of Directors approved the condensed interim consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended May 31, 2019.

3. Significant Accounting Judgments and Estimates

The preparation of the Corporation's condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed interim consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ significantly from these estimates.

3. Significant Accounting Judgments and Estimates (continued)

Judgments that have the most significant effect on the amounts recognized in the Corporation's condensed interim consolidated financial statements are as follows:

- *Impairment of Exploration and Evaluation Asset*

  The net carrying value of the exploration asset is reviewed regularly for conditions that suggest potential indications impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

- *Going Concern*

  The assessment of the Corporation's ability to continue as a going concern involves critical judgment based on historical experience and expectations of the Corporation's ability to generate adequate financing. Significant judgment is used in the Corporation's assessment of its ability to continue as a going concern.

- *Value-added Tax Receivable*

  The Corporation has a signed agreement with the Peruvian Ministry of Energy and Mines to receive a refund on value-added taxes for certain exploration related expenditures incurred by the Corporation in Peru, prior to the Corporation generating sales. These value-added tax receivables are subject to review by the Peruvian tax authorities. Management is required to assess the likelihood of approval for the expenditures filed for refund and collectability of the value-added tax receivables from the Peruvian Ministry of Energy and Mines.

- *Income Taxes*

  Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward.

  The determination of the ability of the Corporation to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Corporation. Management is required to assess whether it is probable that the Corporation will benefit from these prior losses and other deferred tax assets. Change in economic conditions, metal prices and other factors could result in revision to the estimates of the benefits to be realized or the timing of utilizing the losses.

- *Functional Currency*

  The functional currency for the Corporation's subsidiary, Chakana Resources S.A.C., is the US dollar – the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Corporation reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

(Unaudited – Expressed in Canadian Dollars)

4. Accounting Standards and Amendments Adopted

IFRS 16 – Leases

The Corporation adopted all of the requirements of IFRS 16 effective June 1, 2019. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*. There was no material impact on the Corporation's condensed interim consolidated financial statements upon the adoption of this new standard.

5. Exploration and Evaluation Assets

	Condor Option	Aija Project	Total
Balance – May 31, 2018 (restated)	$ 439,575	$ 201,147	$ 640,722
Acquisition costs	1,434,950	80,534	1,515,484
Foreign exchange on translation	5,586	1,260	6,846
Balance – May 31, 2019	1,880,111	282,941	2,163,052
Acquisition costs	196,090	165,938	362,028
Foreign exchange on translation	(20,372)	(17,240)	(37,612)
Balance – February 29, 2020	$ 2,055,829	$ 431,639	$ 2,487,468

The Corporation's wholly owned indirect subsidiary, Chakana Resources S.A.C., holds (i) the option to acquire 100% ownership interest in the Soledad Project ("Condor Option"), (ii) holds an option to acquire 100% ownership interest in the adjacent Aija Project, Peru ("Aija Project"), and (iii) holds an option to acquire up to 100% ownership in other adjacent mineral concessions owned by Minera Barrick Misquichilca S.A. ("Barrick Option"). All three options are collectively referred to as the "Soledad Project". The Corporation is the operator of all related mineral exploration activities on these projects.

(a) Condor Option

On April 17, 2017, the Corporation entered into a Mining Assignment and Option Agreement with Minera Vertiente del Sol S.A.C. ("MVS") (the "Agreement"), a subsidiary of Condor Resources Inc. ("Condor"), pursuant to which the Corporation has the sole and exclusive option to acquire 100% of the rights and interests in the Soledad Copper / Gold Project, Peru (the Soledad Project), subject to a 2% net smelter return royalty ("NSR"). The closing date for the Agreement was June 23, 2017.

The Corporation's option to acquire rights and interests in the Soledad Project is exercisable by issuing 500,000 common shares by June 23, 2018 (issued), making aggregate cash payments of US $5,375,000 and completing 12,500 metres of drilling on the Soledad Project.

(Unaudited – Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

(a) Condor Option (continued)

The option exercise cash payment schedule is as follows:

Installment	Date		Amount (in US$)
1	February 2017 (paid)	$	10,000
2	Upon signing the Agreement on April 17, 2017 (paid)		15,000
3	December 23, 2017 (paid)		25,000
4	June 23, 2018 (paid)		50,000
5	December 23, 2018 (paid)		50,000
6	June 23, 2019 (paid)		75,000
7	December 23, 2019 (paid)		75,000
8	June 23, 2020		100,000
9	December 23, 2020		150,000
10	June 23, 2021		200,000
11	December 23, 2021		4,625,000
	Total	**$**	**5,375,000**

As at February 29, 2020, the Corporation has paid instalments 1 to 7, totaling US $300,000. The June 23, 2018 instalment was accompanied with the issuance of 500,000 shares of the Corporation (Note 8).

Under the agreement, the Corporation may purchase from MVS 50% of the NSR, equal to a 1% NSR, for US $2,000,000 at any time. On March 18, 2019, the Corporation purchased a 1% NSR on the Soledad Project for $369,902 (US $275,000) and 900,000 common shares. As a result of the Corporation purchasing the NSR, the option agreement between the parties will be amended to reflect a reduction of the NSR from 2% to 1%, with the Corporation having the right to repurchase 50% of the NSR (or 0.5% NSR) for US $1,000,000 subsequent to exercising the option agreement. If the Corporation does not exercise the option agreement to acquire Condor's Soledad concessions, Condor has the right to purchase 50% of the NSR (or 0.5% NSR) for US $1,000,000. The amendment to the option agreement also eliminated Chakana's pre-royalty payment obligations.

Pursuant to the Mining Assignment and Option Agreement, the Corporation must complete 12,500 metres of exploration drilling at the Soledad Project. As at February 29, 2020, the Corporation has drilled over the required 12,500 metres and incurred in excess of $10,000,000 of exploration expenditures on the Soledad Project, therefore meeting all of its drilling and work expenditure commitments under the Mining Assignment and Option Agreement.

(b) Aija Project

On March 20, 2018, the Corporation entered into an Option Agreement with an arm's length third-party to acquire 100% of the rights and interest in the Aija Project subject to a 2% NSR. The Aija Project includes 3 principal concessions and 7 smaller parcels within one of the principal concessions, totalling in aggregate 574.71 hectares. These concessions are contiguous with the southern boundary of the Condor Option.

(Unaudited – Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

(b) Aija Project (continued)

The option exercise cash payments schedule is as follows:

Installment	Date		Amount (in US$)
1	Upon execution of Letter of Intent on October 3, 2017 (paid)	$	75,000
2	Upon close of Definitive Agreement on August 1, 2018 (paid)		75,000
3	February 1, 2019 (paid)		50,000
4	August 1, 2019 (paid)		50,000
5	February 1, 2020 (paid)		75,000
6	August 1, 2020		75,000
7	February 1, 2021		100,000
8	August 1, 2021		100,000
9	February 1, 2022		100,000
10	August 1, 2022		100,000
11	February 1, 2023		1,500,000
	Total	**$**	**2,300,000**

Under the terms of the option, the third-party is entitled to a 2% NSR, which the Corporation may purchase all of the 2% NSR at any time for US $2,000,000. There are no drilling or work expenditure commitments under the option.

(c) Barrick Option

On July 11, 2018, Mineral Barrick Misquichilca S.A. ("Barrick") granted the Corporation an option to acquire a 100% interest in three concessions adjoining the southern extent of the Aija Project (the Barrick Option). Under terms of the agreement, the Corporation has 5 years to complete a minimum of 2,000 metres of drilling and produce a Preliminary Economic Assessment report compliant with National Instrument 43-101 *Standards for Disclosure for Mineral Projects*. Upon exercise of the option, Barrick will retain a 2% NSR subject to the Corporation's right to purchase 50% of the royalty for US $2,000,000.

Barrick will have a one-time right to reacquire a 70% interest in the concessions within 120 days of exercising the option by paying the Corporation three times the aggregate amount of exploration expenditures incurred since the execution date and cancelling the 2% NSR. If a production decision is then not made by Barrick within 7 years of the back-in closing date, Barrick will make pre-royalty payments of US $75,000 per year until a production decision is made for a maximum of 5 years (US $375,000). If the Corporation does not contribute its share of project costs its interest will be diluted to 10%, upon which its interest will be converted to a 2% NSR with Barrick retaining a right to purchase 50% of the royalty for US $2,000,000.

(Unaudited – Expressed in Canadian Dollars)

6. Property and Equipment

		Equipment
Cost		
As at May 31, 2019	$	1,012,258
Additions		91,237
Foreign exchange on translation		(34,115)
As at February 29, 2020	$	1,069,380
Accumulated Depreciation		
As at May 31, 2019	$	(109,949)
Depreciation		(75,872)
Foreign exchange on translation		4,003
As at February 29, 2020	$	(181,818)
Net Book Value		
As at May 31, 2019	$	902,309
As at February 29, 2020	$	887,562

7. Accounts Payable and Accrued Liabilities

		February 29, 2020		**May 31, 2019**
Accounts payable	$	299,732	$	405,297
Accrued liabilities		53,883		120,797
	$	353,615	$	526,094

8. Share Capital

(a) Authorized Share Capital

The Corporation is authorized to issue an unlimited number of common shares without par value. As at February 29, 2020, 10,485,750 common shares are held in escrow to be released over a 13-month period.

(b) Issued Capital

During the nine months ended February 29, 2020, no common shares were issued by the Corporation.

During the year ended May 31, 2019, the Corporation issued common shares as follows:

- On May 13, 2019, the Corporation completed a private placement of 15,686,275 common shares at a price of $0.51 per share for gross proceeds of $8,000,000. In connection to the private placement, the Corporation recorded $72,249 of share issuance costs related to the legal costs of completing the private placement.

- On April 17, 2019, the Corporation issued 900,000 common shares at a fair value of $0.42 per share as required in connection to the acquisition of a 1% NSR on the Condor Option (Note 5). The Corporation recorded $7,823 of share issuance costs in relation to the issuance of the common shares for the acquisition.

- On June 19, 2018, the Corporation issued 500,000 common shares at a fair value of $0.66 per share in connection with the Condor Option (Note 5).

(Unaudited – Expressed in Canadian Dollars)

8. Share Capital (continued)

(b) Issued Capital (continued)

- On June 7, 2018, the Corporation issued 43,225 common shares on the exercise of warrants at an exercise price of $0.40 per share for gross proceeds of $17,290.

(c) Cancellation of Shares

- On October 4, 2019, the Corporation signed a settlement agreement with a former employee to return to treasury for cancellation 4,000,000 common shares of the Corporation as reimbursement for the misused funds and related loss to the Corporation. These shares represent 100% of the former employee's shareholding in the Corporation. These 4,000,000 common shares were cancelled on November 14, 2019. A reduction of $600,000 in share capital has been recorded against deficit within shareholders' equity.

9. Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted Average Exercise Price	Number of Shares Issued or Issuable on Exercise
Balance – May 31, 2019	$0.57	1,626,066
Expiry of warrants	$0.40	(417,376)
Expiry of warrants	$0.50	(817,690)
Balance – February 29, 2020	$0.90	391,000

The warrants have the following expiry dates:

Grant Date	Expiry Date	Number of Warrants Issued	Weighted Average Exercise Price
March 23, 2018	March 23, 2020 (1)	391,000	$0.90
		391,000	$0.90

(1) Subsequent to February 29, 2020, the 391,000 warrants expired unexercised.

(Unaudited – Expressed in Canadian Dollars)

10. Stock Options

The Corporation adopted a stock option plan (the "Plan") whereby it can grant stock options to directors, officers, employees and consultants of the Corporation. The maximum number of common shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Corporation at any time.

The changes in incentive stock options outstanding are summarized as follows:

	Weighted Average Exercise Price	Number of Shares Issued or Issuable on Exercise
Balance – May 31, 2018 and February 28, 2019	$0.46	4,010,000
Granted	$0.20	2,175,000
Cancellation of stock options	$0.40	(1,000,000)
Balance – May 31, 2019 and February 29, 2020	$0.48	5,185,000

On November 14, 2019, the Corporation cancelled 1,000,000 stock options related to a former employee.

During the nine months ended February 29, 2019, the Corporation granted 2,175,000 (year ended May 31, 2019 - 4,285,000) incentive stock options to employees and consultants. Of the 2,175,000 incentive stock options, 1,475,000 may be exercised within 5 years from the date of grant at a price of $0.20 per common share and 700,000 options may be exercised within 3 years from the date of grant at the price of $0.20 per common share.

The fair value of options has been estimated using the Black-Scholes option pricing model, assuming a risk-free interest rate ranging from 1.53% to 1.64% per annum, an expected life of options of 2 to 5 years, an expected volatility ranging from 96.39% to 99.11%, and no expected dividends.

Incentive stock options outstanding and exercisable at February 29, 2020 are summarized as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	**Number of Shares Issuable on Exercise**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price**	**Number of Shares Issuable on Exercise**	**Weighted Average Exercise Price**
$0.40	2,585,000	2.79	$0.40	2,585,000	$0.40
$0.94	425,000	3.33	$0.94	425,000	$0.94
$0.20	1,475,000	4.82	$0.20	368,750	$0.20
$0.20	700,000	2.93	$0.20	175,000	$0.20
	5,185,000	2.87	$0.48	3,553,750	$0.48

Stock options at an exercise price of $0.40 and $0.94 expire September 14, 2022 and March 29, 2023, respectively.

11. Exploration and Evaluation Expenditures

The Corporation incurred exploration and evaluation expenditures as follows:

	Three Months Ended February 29, 2020	Three Months Ended February 28, 2019	Nine Months Ended February 29, 2020	Nine Months Ended February 28, 2019
Drilling	$ -	$ 36,568	$ 749,465	$ 1,206,472
Exploration support and administration	264,971	337,002	892,399	802,769
Field operations and consumables	76,578	207,075	645,864	749,738
Geological consultants	67,631	67,264	173,804	211,113
Sampling and geological costs	2,030	149,752	170,590	615,299
Transportation	27,817	38,680	174,355	146,576
	$ 439,027	$ 836,341	$ 2,806,477	$ 3,731,967

12. Financial Instruments

Fair Value

The Corporation's financial instruments consist of cash and cash equivalents. The fair values of cash and cash equivalents approximate their carrying values due to their current nature.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation's primary exposure to credit risk is on its cash and short-term investments, which are being held in bank accounts. The cash and short-term investments are deposited in bank accounts held with one major bank in Canada, therefore, there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution, as determined by ratings agencies. The Corporation has secondary exposure to risk on its sales tax receivables. The risk is minimal since it is recoverable from the Canadian government.

Foreign Currency Risk

The Corporation incurs expenditures in Canada and Peru. Foreign currency risk arises as the amount of the Peruvian sol and US dollar cash, intercompany balances and payables will vary in Canadian dollar terms due to changes in exchange rates.

As at February 29, 2020 and May 31, 2019, the Corporation has not hedged its exposure to currency fluctuations.

At February 29, 2020 and May 31, 2019, the Corporation is exposed to currency risk through the following assets and liabilities denominated in Peruvian soles and US dollars:

	February 29, 2020		May 31, 2019	
	Soles	US$	Soles	US$
Cash and cash equivalents	36,747	135,915	29,995	74,942
Accounts payable and accrued liabilities	(76,356)	(30,435)	(198,585)	(83,521)
Net	(39,609)	105,480	(168,590)	(8,579)
Canadian dollar equivalent	(15,596)	141,649	(67,621)	(8,042)

(Unaudited – Expressed in Canadian Dollars)

12. Financial Instruments (continued)

Foreign Currency Risk (continued)

Based on the above net exposures as at February 29, 2020, a 5% (February 28, 2019 - 5%) change in the Canadian dollar/Peruvian sol and Canadian/US dollars exchange rate would impact the Corporation's income (loss) and comprehensive income (loss) by approximately $800 and $7,080 (May 31, 2019 - $3,380 and $402), respectively.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The risk is minimal.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in satisfying financial obligations as they become due. The Corporation manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At February 29, 2020, the Corporation has cash and cash equivalents of $7,429,800 (May 31, 2019 - $12,279,037) and current liabilities of $353,615 (May 31, 2019 - $526,094).

13. Management of Capital

The Corporation's primary objectives in capital management are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the development of the Soledad and Aija projects. Capital is comprised of the Corporation's shareholders' equity. The Corporation manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. To maintain or adjust its capital structure, the Corporation may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash.

14. Segmented Information

The Corporation operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. The Corporation's primary exploration and evaluation assets are located in Peru and its corporate assets, comprising mainly cash, are located in Canada. The Corporation is in the exploration stage and has no reportable segment revenues or operating results.

The Corporation's total assets are segmented geographically as follows:

	Canada	Peru	Total
As at February 29, 2020			
Current assets	$ 7,354,193	$ 258,125	$ 7,612,318
Equipment	-	887,562	887,562
Exploration and evaluation assets	-	2,487,468	2,487,468
Value-added tax receivable	-	497,298	497,298
	$ 7,354,193	$ 4,130,453	$ 11,484,646
As at May 31, 2019			
Current assets	$ 12,294,975	$ 231,789	$ 12,526,764
Equipment	-	902,309	902,309
Exploration and evaluation assets	-	2,163,052	2,163,052
Value-added tax receivable	-	412,162	412,162
	$ 12,294,975	$ 3,709,312	$ 16,004,287

(Unaudited – Expressed in Canadian Dollars)

15. Related Party Disclosures

The Corporation's related parties include key management personnel and companies related by way of directors or shareholders in common.

(a) Key Management Personnel Compensation

During the nine months ended February 29, 2020 and February 28, 2019, the Corporation paid and/or accrued the following fees to key management personnel:

		February 29, 2020		February 28, 2019
Management	$	267,516	$	290,559
Directors		122,474		144,165
	$	389,990	$	434,724

(b) Due to Related Parties

As at February 29, 2020 and May 31, 2019, the Corporation has the following amounts due to related parties:

		February 29, 2020		May 31, 2019
Management	$	29,837	$	-
Directors		32,343		33,014
	$	62,180	$	33,014

16. Commitments under Operating Leases

The Corporation leases various premises under operating leases that expire from January 31, 2020 to July 31, 2020. The Corporation is obligated to make $171,337 in minimum lease payments under the premise leases in the fiscal year ending May 31, 2020.

17. Subsequent Event

Since February 29, 2020, the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation in future periods.