PANORO MINERALS LTD

(an exploration stage company)

Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2016 and 2015

Expressed in Canadian dollars, unless otherwise stated
Unaudited – prepared by management)

Notice to Reader: As required by National Instrument 51-102, subsection 4.3(3), readers are advised that an auditor has not performed a review of these interim financial statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The unaudited condensed consolidated interim financial statements of Panoro Minerals Ltd. ("the Company") are the responsibility of the Company's management. The unaudited condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgments based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls through its Audit Committee, which is comprised of non-management directors. The Audit Committee reviews the unaudited condensed consolidated interim financial statements prior to their submission to the Board of Directors for approval.

These unaudited condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

"Luquman A. Shaheen"	***"Shannon M. Ross"***
Luquman A. Shaheen	Shannon M. Ross
President and Chief Executive Officer	Chief Financial Officer
Vancouver, British Columbia	Vancouver, British Columbia

PANORO MINERALS LTD.

(an exploration stage company)
Condensed Consolidated Interim Balance Sheets
Expressed in Canadian Dollars, unless otherwise stated
(Unaudited)

	Note	September 30, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents		$ 6,723,108	$ 212,647
Marketable securities	*4*	5,000	2,000
Accounts and advances receivable		46,522	46,275
Prepaid expenses		57,195	40,925
Total current assets		6,831,825	301,847
Non-current assets			
Exploration and evaluation assets	*5*	68,212,586	67,626,162
Equipment		60,554	88,865
Total assets		$ 75,104,965	$ 68,016,874
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		$ 592,371	$ 1,384,373
Total liabilities		592,371	1,384,373
Deferred revenue	*6*	2,591,500	-
Shareholders' equity			
Share capital	*7*	92,461,767	86,032,839
Share-based expense reserve		10,091,358	10,091,358
Accumulated other comprehensive loss		(5,000)	(8,000)
Deficit		(30,627,031)	(29,483,696)
Total shareholders' equity		71,921,094	66,632,501
Total liabilities and shareholders' equity		$ 75,104,965	$ 68,016,874

Nature of operations and going concern (Note 1)
Subsequent event (Note 7(b))

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

Approved on behalf of the Board:

"Luquman A. Shaheen" **"William J. Boden"**

PANORO MINERALS LTD.

(an exploration stage company)
Condensed Consolidated Interim Statements of Comprehensive Loss
Expressed in Canadian Dollars, unless otherwise stated
(Unaudited)

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Expenses				
Salaries and benefits	$ 163,104	$ 274,883	$ 446,103	$ 971,521
Directors' fees	15,701	16,100	39,700	60,100
Audit and tax	31,803	21,679	68,603	80,003
Consulting	6,222	-	176,801	24,166
Legal expenses	20,724	12,902	216,401	60,625
Communications	4,410	15,831	35,707	76,815
Regulatory fees	39,579	13,975	78,205	59,622
Amortization	1,724	3,491	7,537	12,765
Professional dues and training	1,014	2,398	3,745	20,326
Travel expenses	19,670	8,540	36,129	75,764
Investor relations	3,285	14,362	11,082	91,453
Rent and insurance	52,867	78,009	158,168	232,656
Office costs	7,476	16,726	27,541	58,575
	367,579	478,896	1,305,722	1,824,391
Interest income	(2,426)	(2,827)	(2,625)	(36,927)
Foreign exchange (gain)/loss	(91,648)	34,392	(159,762)	160,087
Loss for the period	273,505	510,461	1,143,335	1,947,551
Total other comprehensive (income)/loss	(2,500)	8,000	(3,000)	1,000
Comprehensive loss for the period	**$ 271,005**	**$ 518,461**	**$1,140,335**	**$1,948,551**
Loss per share, basic and fully diluted	**$ 0.00**	**$ 0.00**	**$ 0.00**	**$ 0.01**
Weighted average number of common shares outstanding	**235,553,185**	**220,640,818**	**225,643,444**	**220,640,818**

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

PANORO MINERALS LTD.
(an exploration stage company)
Condensed Consolidated Interim Statements of Cash Flows
Expressed in Canadian dollars, unless otherwise stated
(Unaudited)

	Nine months ended September 30, 2016	2015
Cash provided by (used for):		
Loss for the period	$ (1,143,335)	$ (1,947,551)
Items not involving the use of cash:		
Amortization	7,537	12,765
Services rendered for shares	52,401	-
	(1,083,397)	(1,934,786)
Changes in non-cash operating working capital:		
Accounts and advances receivable	(247)	70,598
Prepaid expenses	(16,270)	31,737
	(1,099,914)	(1,832,451)
Cash used for investing activities:		
Exploration and evaluation expenditures	(916,058)	(4,479,413)
Recovery of taxes	350,408	217,254
Accounts payable and accrued liabilities	(792,002)	(328,171)
	(1,357,652)	(4,590,330)
Cash flows from financing activities:		
Private placement, net of share issue costs	6,376,527	-
Deferred revenue	2,591,500	-
	8,968,027	-
Increase (decrease) in cash and cash equivalents	6,510,461	(6,422,781)
Cash and cash equivalents, beginning of period	212,647	7,838,816
Cash and cash equivalents, end of period	**$ 6,723,108**	**$ 1,416,035**

Supplementary cash flow information		
Non-cash activities:		
Amortization capitalized to exploration and evaluation assets	$ 20,774	$ 25,993
Common shares issued for services rendered	52,401	-
Finder’s fee deducted from proceeds	181,435	-
	$ 256,410	$ 25,993

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

PANORO MINERALS LTD.

(an exploration stage company)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the nine month periods ended September 30, 2016 and 2015

Expressed in Canadian Dollars, unless otherwise stated

(Unaudited)

	Number of Shares	Share Capital	Share-Based Expense Reserve	Accumulated Comprehensive Loss	Deficit	Total
Balance at December 31, 2014	220,640,818	$ 86,032,839	$ 10,091,358	$ -	$(24,866,594)	$ 71,257,603
Loss for the period	-	-	-	-	(1,947,551)	(1,947,551)
Other comprehensive income	-	-	-	(1,000)	-	(1,000)
Balance, September 30, 2015	**220,640,818**	**$ 86,032,839**	**$ 10,091,358**	**(1,000)**	**$(26,814,145)**	**$ 69,309,052**
Balance at December 31, 2015	220,640,818	$ 86,032,839	$ 10,091,358	$ (8,000)	$(29,483,696)	$ 66,632,501
Shares issued for services	790,130	52,401	-	-	-	52,401
Private placement (Note 7)	36,717,817	6,609,207	-	-	-	6,609,207
Finder's fee (Note 7)	-	(181,435)	-	-	-	(181,435)
Share issue costs	-	(51,245)	-	-	-	(51,245)
Loss for the period	-	-	-	-	(1,143,335)	(1,143,335)
Other comprehensive income	-	-	-	3,000	-	3,000
Balance, September 30, 2016	**258,148,765**	**$ 92,461,767**	**$ 10,091,358**	**$ (5,000)**	**$(30,627,031)**	**$ 71,921,094**

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

1. Nature of operations and going concern

Nature of operations

Panoro Minerals Ltd. is incorporated under the *Business Corporations Act* in the Province of British Columbia. The Company's principal place of business is located at Suite 1610 – 700 West Pender Street, Vancouver, BC, Canada V6C 1G8.

Panoro Minerals Ltd. and its subsidiaries are referred to as "Panoro" or the "Company."

The Company is an exploration-stage company engaged principally in the acquisition, exploration and development of mineral properties in Perú and trades on the TSX Venture Exchange (the "Exchange") as a Tier 2 mining issuer under the trading symbol "PML". The Company also trades on the Bolsa de Valores de Lima under the same trading symbol.

The Company's investment in its exploration and evaluation assets comprises a significant portion of the Company's assets. Recovery of the carrying value of the investment in these assets and the Company's ability to continue operations are dependent upon the existence of economically recoverable reserves, confirming and maintaining legal ownership of the resource properties, the ability of the Company to obtain necessary financing to complete the exploration and development, and the attainment of future profitable production or the disposition of these assets for proceeds in excess of their carrying values.

Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge is liabilities in the normal course of business.

The Company has no operating revenue and incurred a net loss of $1,143,335 for the nine months ended September 30, 2016 (September 30, 2015 – $1,948,551). As at September 30, 2016, the Company has an accumulated deficit of $30,627,031 (December 31, 2015 - $29,483,696), and working capital of $6,239,454 (December 31, 2015 – working capital deficiency of $1,082,526).

Based on its financial position at September 30, 2016, with the completion of a private placement financing on August 26, 2016, for net proceeds of $6,376,527, and funds received from the Early Deposit Precious Metals Purchase Agreement (as described below) of US$2,000,000 ($2,591,500), the Company has sufficient funds to meet budgeted operational, exploration and development expenditures over the ensuing twelve-month period.

2. Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 28, 2016.

3. Significant accounting policies

The preparation of condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a basis consistent with those followed for the Company's most recent annual consolidated financial statements for the year ended December 31, 2015. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Actual results may differ from these estimates.

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar.

(a) Changes in International Financial Reporting Standards ("IFRS")

The Company has not adopted any new standards or consequential amendments during the period that were not disclosed in the annual consolidated financial statements for the year ended December 31, 2015.

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these condensed interim consolidated financial statements. The following pronouncements are those that the Company considers most significant and are not intended to be a complete list of new pronouncements that may affect the consolidated financial statements.

3. Significant accounting policies (continued)

(b) IFRS standards issued but not yet effective (continued)

IFRS 9, Financial Instruments ("IFRS 9")

The final version of *IFRS 9* was issued by the IASB on July 24, 2014, and will replace *IAS 39, Financial Instruments: Recognition and Measurement*. *IFRS 9* introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses.

The mandatory effective date of *IFRS 9* is for annual periods beginning on or after January 1, 2018, with early adoption permitted, and must be applied retrospectively with some exemptions permitted. The Company does not expect the adoption of IFRS 9 to have a material effect on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

On May 28, 2014, the IASB issued *IFRS 15*. The new standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. *IFRS 15* will replace *IAS 11 Construction Contracts*, *IAS 18 Revenue*, *IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers* and *SIC 31 Revenue – Barter Transactions Involving Advertising Services.*

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have also been introduced, which may affect the amount and/or timing of revenue recognized.

The Company intends to adopt *IFRS 15* in its consolidated financial statements for the annual period beginning on January 1, 2018. Given the Company has no current sources of revenue, the adoption of this standard is not expected to have a material effect on the consolidated financial statements.

3. Significant accounting policies (continued)

(b) IFRS standards issued but not yet effective (continued)

IFRS 16, Leases ("IFRS 16")

On January 13, 2016, the IASB published a new standard, *IFRS 16*, Leases, eliminating the current dual accounting model for lessees, which distinguished between on-balance sheet finance leases and off-balance sheet operating 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. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. *IFRS 16* is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is evaluating the impact of adopting this standard on its consolidated financial statements.

IAS 12, Income Taxes (Amendments)

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses as an amendment to *IAS 12*. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017 with early adoption permitted.

The Company intends to adopt the amendments to IAS 12 in its consolidated financial statements for the annual period beginning on January 1, 2017. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

IFRS 2, Share-Based Payment (Amendments)

On June 20, 2016, the IASB issued amendments to *IFRS 2* clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Company intends to adopt the amendments to *IFRS 2* in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

4. Marketable securities

As at September 30, 2016, the Company held 100,000 common shares of Montan Mining Corp., at a cost of $10,000. At September 30, 2016, the fair value of these common shares was $5,000 (December 31, 2015 - $2,000).

5. Exploration and evaluation assets

The investment in and expenditures on mineral interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the confirmation of legal ownership of the properties, the attainment of successful production from the properties or from the proceeds of their disposal. Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company is in the process of exploring and developing its mineral exploration and evaluation assets and has not yet determined whether they contain resources that are economically recoverable.

Management anticipates that the Company will continue to raise adequate funding through equity or debt financings, although there is no assurance that the Company will be able to obtain adequate funding on favorable terms. The recoverability of amounts shown for exploration and evaluation assets and property and equipment is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary mining and environmental permits, and future profitable production or proceeds from the disposition of the exploration and evaluation assets.

Expressed in Canadian dollars, unless otherwise stated

5. Exploration and evaluation assets (continued)

Exploration and evaluation expenditures during the period presented are as follows:

	Antilla	Cotabambas	Other	Total
Acquisition costs:				
Balance, September 30, 2016 and December 31, 2015	$ 7,319,722	$ 4,925,035	$ 2,301,064	$14,545,821
Exploration and evaluation expenditures incurred in period:				
Amortization	-	20,708	66	20,774
Camp	3,172	98,399	2,430	104,001
Community relations	-	47,965	-	47,965
Environmental	-	1,059	-	1,059
Geology	-	3,068	-	3,068
Legal	745	781	-	1,526
Metallurgy	1,903	-	-	1,903
Preliminary economic assessment	109,439	-	-	109,439
Recording fees and taxes	72,563	46,461	347,178	466,202
Recovery of value-added taxes	(9,997)	(305,509)	(34,902)	(350,408)
Salaries and benefits	-	175,145	-	175,145
Travel	577	5,173	-	5,750
Incurred during the period	178,402	93,250	314,772	586,424
Capitalized exploration and evaluation expenditures at December 31, 2015	8,414,856	36,419,967	8,245,518	53,080,341
Capitalized exploration and evaluation expenditures at September 30, 2016	8,593,258	36,513,217	8,560,290	53,666,765
Total exploration and evaluation assets at September 30, 2016	**$15,912,980**	**$41,438,252**	**$10,861,354**	**$68,212,586**

6. Early Deposit Precious Metals Agreement and deferred revenue

On March 21, 2016, the Company entered into the Cotabambas Early Deposit Agreement with Silver Wheaton, in respect of the Cotabambas project located in Perú.

The principal terms of the Cotabambas Early Deposit Agreement are such that Silver Wheaton will pay the Company upfront cash payments totaling US$140.0 million for 25% of the payable gold production and 100% of the payable silver production from the Company's Cotabambas Project in Perú. In addition, Silver Wheaton will make production payments to the Company of the lesser of the market price and US$450 per payable ounce of gold and US$5.90 per payable ounce of silver delivered to Silver Wheaton over the life of the Company's Cotabambas Project. As at September 30, 2016, the Company had received the first and second payments for a total of US$2.0 million, pursuant to the terms of the agreement.

The Company is entitled to receive an additional US$12.0 million spread over a period up to 9 years as an early deposit with payments to be used to fund expenses related to the Cotabambas Project. The Cotabambas Early Deposit Agreement includes provisions to accelerate these payments, whereby Silver Wheaton will pay an additional payment in an amount equal to the amount of funds raised in any offering of equity securities for the purpose of exploration of the Cotabambas Project during the period January 27, 2016 to March 21, 2018, up to a maximum of US$3.5 million for all such offerings. The acceleration could result in total early deposit payments of up to US$7.0 million being made to the Company in the first two years of the agreement.

The balance of US$126.0 million, should Silver Wheaton elect to proceed with the Cotabambas Early Deposit Agreement, is payable in instalments during construction of the Cotabambas Project.

Silver Wheaton will have the option to terminate the Cotabambas Early Deposit Agreement either 90 days following delivery of a Feasibility Study or at any time upon giving the Company three months' notice. Silver Wheaton can elect to receive a portion of the early deposit either as cash or shares upon termination, with the Company having rights to defer cash payments over an up to two-year period.

Following a change of control, subject to certain conditions, the Company has a one-time option to repurchase 50% of the precious metals stream with a payout based on the greater of: (i) a minimum fixed return (ii) a return based on appreciation of precious metals prices over the term of the Cotabambas Precious Metals Agreement and (iii) a return based on appreciation of the share price of the Company over the term of the agreement.

7. Share capital

(a) Authorized – unlimited common shares without par value.

Share capital – Issued and outstanding:

258,148,765 common shares (December 31, 2015 – 220,640,818 common shares)

On June 20, 2016, the Company issued 790,130 common shares to Macquarie Capital Markets Canada Ltd. (“Macquarie”), pursuant to a Financial Advisory Services Agreement between the Company and Macquarie dated January 27, 2016. Macquarie acted as financial advisor to the Company in connection with the Cotabambas Precious Metals Agreement. The shares issued to Macquarie comprise a portion of the fees due to Macquarie and the number of shares issued was at an average deemed price of $0.1326 per share, based on the average discounted market price of the Company’s shares on April 15 and May 30, 2016, being the dates immediately before which the Company announced the receipt of the two early deposit payments under its agreement with Silver Wheaton. The Macquarie Shares were subject to a hold period expiring October 18, 2016. The Company has agreed to pay a fee to Macquarie in an amount equal to 6% of the payments up to, but not including, the final payment to be received by the Company from Silver Wheaton due to construction at the Cotabambas project. The Company has the option to pay the fee to Macquarie by making a payment of 4% in cash and 4% in common shares, up until March 21, 2017. Thereafter, the fee will be 6% in cash. The fees must be paid from funds other than those received pursuant to the Cotabambas Early Deposit Agreement. All fees have been paid.

Private placement

On August 26, 2016, the Company completed a non-brokered private placement of 36,717,817 units (the “Units”) at a price of $0.18 per unit for gross proceeds of $6,609,207. Each Unit consists of one common share of the Company and one-half of a non-transferable common share purchase warrant (a “Warrant”). Each whole Warrant will entitle the holder thereof to purchase one common share at an exercise price of $0.27 for a period of 24 months from the date of closing. At September 30, 2016, there are 18,358,905 warrants outstanding.

Expressed in Canadian dollars, unless otherwise stated

7. Share capital (continued)

(b) Stock options

Stock options to purchase common shares have been granted to directors, employees, contractors and consultants at exercise prices determined by reference to the market value on the date of the grant.

The number of shares available for options to be granted under the Company's rolling stock option plan is 10% of the number of shares outstanding (the "Plan") as amended, at the Annual General Meeting held on June 21, 2016. Options granted under the Plan vest immediately or over a period of time at the discretion of the Board of Directors.

A summary of the status of the Company's stock options as at December 31, 2015, and for the nine months ended September 30, 2016, are as follows:

	Number of Options	Weighted average exercise price
Balance, December 31, 2015	13,150,000	$ 0.60
Expired, unexercised, during the period	(4,350,000)	$ 0.69
Balance, September 30, 2016	8,800,000	$ 0.65

Year of expiry	Number of options	Weighted average exercise price
2016	100,000	$ 0.50
2017	5,150,000	$ 0.85
2019	3,550,000	$ 0.36
	8,800,000	$ 0.65

The weighted average life of exercisable options outstanding as at September 30, 2016, is 1.6 years (December 31, 2015 – 1.8 years). Subsequent to September 30, 2016, the Company granted 7,725,000 stock options to directors, officers, employees, and consultants at a price of $0.20, expiring on November 10, 2021.

(c) Share purchase warrants

At September 30, 2016, there were 18,358,905 share purchase warrants (See private placement above), exercisable at $0.27 until August 26, 2018. During the nine months ended September 30, 2016, 1,638,000 agents' warrants with an exercise price of $0.55, expired, unexercised on March 14, 2016.

Expressed in Canadian dollars, unless otherwise stated

8. Related party transactions

During the nine months ended September 30, 2016 and 2015, there were no transactions between directors and officers and/or companies controlled by directors or officers in common with the Company. An expense advance of $3,698 is outstanding for expenses incurred for lower than anticipated expenditures incurred for the period ended September 30, 2016, from an officer and director.

9. Commitments

The Company has the following commitments:

	2016	2017	2018	2019	2020	Total
Office lease (Vancouver)	$ 15,945	$ 57,895	$ 59,477	$ 62,642	$ 64,224	$ 195,959
Office lease (Peru-US$)	$ 20,444	$ 49,134	$ -	$ -	$ -	$ 69,578
Warehouses (3)	S/. -	S/. 56,420	S/. 4,000	S/. -	S/. -	S/. 60,420
Accounts payable and accrued liabilities	$ 592,371	$ -	$ -	$ -	$ -	$ 592,371

Vigencias (or concession fees) are not commitments, but rather the annual payments required to maintain the concessions in good standing with the Perúvian government. The ultimate amount to be paid is based on a formula and is determined separately each year by the Perúvian government. The Company paid Vigencias totalling US$478,636 in the nine months ended September 30, 2016, for the 2015 year. Further Vigencias for 2015 may be paid if the Company determines to keep certain additional non-core concessions. Vigencias are accrued monthly for concessions and are included in mineral property expenditures.

10. Financial instruments and capital management

As at September 30, 2016, the carrying values of the Company's financial instruments by category are as follows:

	Held for trading	Loans and receivables	Available for sale	Financial liabilities	Carrying value	Fair Value
Financial assets:						
Cash and cash equivalents	$ -	$6,723,108	$ -	$ -	$6,723,108	$6,723,108
Marketable securities	-	-	5,000	-	5,000	5,000
Accounts and advances receivable	-	46,522	-	-	46,522	46,522
Total financial assets	-	6,769,630	5,000	-	6,774,630	6,774,630
Financial liabilities:						
Accounts payable and accrued liabilities	-	-	-	592,371	592,371	592,371
Total financial liabilities	$ -	$ -	$ -	$ 592,371	$ 592,371	$ 592,371

10. Financial instruments and capital management (continued)

Credit risk

The Company manages its credit risk through its counterparty ratings and credit limits. The Company is mainly exposed to credit risk on its bank accounts and short-term investments, and accounts and advances receivable. Bank accounts and short-term investments are primarily with Canadian Schedule 1 banks and Banco de Credito in Perú. The Company has accounts and advances receivable primarily related to IGV receivable from the Perúvian government.

The total of cash and cash equivalents, short-term investments and account and advances receivable of $6,723,108 (December 31, 2015 - $258,922) represent the maximum credit exposure.

Liquidity risk

The Company manages its liquidity risk by ensuring that there is sufficient liquidity in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash and cash equivalents are primarily invested in bank accounts, bankers' acceptances, and Guaranteed Investment Certificates ("GIC"). The Company's cash is not invested in any asset backed commercial paper. At September 30, 2016, the Company had funds invested in redeemable short-term investments.

Accounts payable and accrued liabilities require payment within one year.

Market risk

The significant market risks to which the Company is exposed are foreign currency risk and interest rate risk.

Foreign currency risk

The Company maintains its financial statements in Canadian dollars. The Company is exposed to foreign currency fluctuations to the extent mineral interests, exploration expenditures and operating expenses incurred by the Company are not denominated in Canadian dollars.

The Company does not use derivatives or other instruments to manage the foreign currency risk. The Company's operations in Perú make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company's operating results and cash flows are affected to varying degrees by changes in the Canadian dollar exchange rate vis-a-vis the Perúvian Nuevo Sol and the US Dollar. The Company purchases foreign currencies as the need arises in order to fund its exploration activities. Corporate expenditures are primarily incurred in Canadian and US dollars.

Expressed in Canadian dollars, unless otherwise stated

10. Financial instruments and capital management (continued)

As at September 30, 2016, the Company's significant exposures to foreign currency risk, based on balance sheet carrying values, were to the Perúvian Nuevo Sol and the US Dollar, as follows:

	September 30, 2016				December 31, 2015			
		PEN		US$		PEN		US$
Cash and cash equivalents	S/.	38,046	$	4,588,641	S/.	36,616	$	147,424
Accounts and advances receivable		19,870		11,214		29,990		19,227
Accounts payable and accrued liabilities		(95,146)		(379,257)		(580,348)		(1,247,626)
Net exposure	S/.	(37,230)	$	4,220,598	S/.	(513,742)	$	(1,080,975)

The following sensitivity analysis assumes all other variables remain constant and are based on the above net exposures. A 10% appreciation or depreciation of the Perúvian Nuevo Sol vis-a-vis the Canadian Dollar would result in a $1,442 (December 31, 2015 - $20,837) increase or decrease, respectively, in net loss and shareholders' equity. A 10% appreciation or depreciation of the US Dollar vis-a-vis the Canadian Dollar would result in a $553,616 (December 31, 2015 - $89,990) increase or decrease, respectively, in loss and shareholders' equity.

Interest rate risk

The Company's cash and cash equivalents and short-term investments earn interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to changes in short-term rates.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. The Company is not subject to any externally imposed capital requirements.

10. Financial instruments and capital management (continued)

The carrying amounts of cash and cash equivalents, short-term investments, marketable securities, accounts and advances receivable, and accounts payable approximate their fair values due to their short-term nature.

11. Key management personnel compensation

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management includes the Company's directors and members of the senior management group.

Details of key management personnel compensation for the nine months ended September 30, 2016 and 2015, are as follows:

	2016	2015
Salary, fees and benefits	$ 370,185	$ 820,381