



**CERRO DE PASCO RESOURCES INC.**  
(formerly Genius Properties Ltd.)

**Condensed Interim Consolidated Financial Statements**  
(Unaudited and unreviewed by the Company's Independent Auditors)

**Three-month and six-month periods ended**  
**June 30, 2019 and 2018**

**CERRO DE PASCO RESOURCES INC.**  
**(formerly Genius Properties Ltd.)**  
**Condensed Interim Consolidated Financial Statements**  
Three-month and six-month periods ended June 30, 2019 and 2018

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**Condensed Interim Consolidated Financial Statements**

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# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2019 and December 31, 2018

(in Canadian dollars)

	Note	June 30 2019	December 31 2018
		\$	\$
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	5	2,107,619	1,364,140
Other receivables		228,032	228,629
Prepaid expenses		82,950	31,628
<b>Total current assets</b>		<b>2,418,601</b>	<b>1,624,397</b>
<b>Non-current assets:</b>			
Property and equipment		21,529	22,886
Mining properties	6	1,066,201	1,110,343
Exploration and evaluation assets	7	188,598	196,406
<b>Total non-current assets</b>		<b>1,276,328</b>	<b>1,329,635</b>
<b>Total assets</b>		<b>3,694,929</b>	<b>2,954,032</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities:</b>			
Trade accounts payable and other liabilities		446,525	557,836
Current portion of obligation under capital lease		2,326	2,676
<b>Total current liabilities</b>		<b>448,851</b>	<b>560,512</b>
<b>Non-current liabilities:</b>			
Obligation under capital lease		1,486	2,218
<b>Total non-current liabilities</b>		<b>1,486</b>	<b>2,218</b>
<b>Total liabilities</b>		<b>450,337</b>	<b>562,730</b>
<b>Equity:</b>			
Share capital	8	21,779,302	18,472,710
Warrants	8	414,887	1,061,616
Share options	9	1,337,905	2,608
Contributed surplus		355,077	218,000
Deficit		(20,688,023)	(17,413,308)
Accumulated other comprehensive loss		45,444	49,676
<b>Total equity attributable to owners of the parent company</b>		<b>3,244,592</b>	<b>2,391,302</b>
Non-controlling interest		-	-
<b>Total equity</b>		<b>3,244,592</b>	<b>2,391,302</b>
<b>Total liabilities and equity</b>		<b>3,694,929</b>	<b>2,954,032</b>

Going concern, see Note 2.

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

These financial statements were approved and authorized for issue by the Board of Directors on August 29 2019.

(S) John Booth  
Director

(S) Steven Zadka  
Director

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Condensed Interim Consolidated Statements of Comprehensive Loss

Three-month and six-month periods ended June 30, 2019 and 2018

(in Canadian dollars)

	Note	Three-month period ended		Six-month period ended	
		June 30 2019	June 30 2018	June 30 2019	June 30 2018
		\$	\$	\$	\$
<b>Expenses:</b>					
General and administrative expenses	10	851,506	359,534	3,166,375	520,417
<b>Operating loss before other expenses (revenues) and income tax</b>		<b>851,506</b>	<b>359,534</b>	<b>3,166,375</b>	<b>520,417</b>
<b>Other expenses (revenues):</b>					
Finance expenses		2,639	1,408	5,099	2,238
Exchange loss (gain)		61,063	(632)	66,690	(40,768)
Non-recoverable sales taxes		29,011	15,678	36,551	24,895
		92,713	16,454	108,340	(13,635)
<b>Loss before income taxes</b>		<b>944,219</b>	<b>375,988</b>	<b>3,274,715</b>	<b>506,782</b>
Income taxes recovery		-	-	-	-
<b>Net loss</b>		<b>944,219</b>	<b>375,988</b>	<b>3,274,715</b>	<b>506,782</b>
<b>Other comprehensive (income) loss</b>					
Currency translation adjustment		(18,662)	(73,736)	4,232	(44,043)
<b>Other comprehensive (income) loss net of tax</b>		<b>(18,662)</b>	<b>(73,736)</b>	<b>4,232</b>	<b>(44,043)</b>
<b>Total comprehensive loss</b>		<b>925,557</b>	<b>302,252</b>	<b>3,278,947</b>	<b>462,739</b>
<b>Net loss attributable to:</b>					
Shareholders of Cerro de Pasco Resources Inc.		944,219	375,988	3,274,715	506,782
Non-controlling interests		-	-	-	-
		944,219	375,988	3,274,715	506,782
<b>Other comprehensive loss attributable to:</b>					
Shareholders of Cerro de Pasco Resources Inc.		(18,662)	(73,736)	4,232	(44,043)
Non-controlling interest		-	-	-	-
		(18,662)	(73,736)	4,232	(44,043)
<b>Total comprehensive loss attributable to:</b>					
Shareholders of Cerro de Pasco Resources Inc.		925,557	302,252	3,278,947	462,739
Non-controlling interest		-	-	-	-
		925,557	302,252	3,278,947	462,739
<b>Weighted average number of common shares outstanding</b>		<b>250,214,889</b>	<b>131,704,979</b>	<b>246,311,345</b>	<b>115,634,827</b>
<b>Basic and diluted loss per share:</b>		<b>0.00</b>	<b>0.00</b>	<b>0.01</b>	<b>0.00</b>

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

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Condensed Interim Consolidated Statements of Changes in Equity

Three-month and six-month periods ended June 30, 2019 and 2018

(in Canadian dollars)

	Note	Number of shares outstanding	Share capital \$	Warrants \$	Share options \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income (loss) \$	Total attributable to the owners of the parent company \$	Non-controlling interest \$	Total equity \$
<b>Balance as at December 31 2018</b>		242,198,878	18,472,710	1,061,616	2,608	218,000	(17,413,308)	49,676	2,391,302	-	2,391,302
Shares and units issued:											
As payment of expenses	8	600,000	176,000						176,000	-	176,000
Warrants exercised		10,473,328	3,130,592	(512,260)					2,618,332	-	2,618,332
Warrants expired				(134,469)		134,469			-	-	-
Share options granted					1,337,905				1,337,905	-	1,337,905
Share options forfeited					(2,608)	2,608			-		-
Transactions with owners		11,073,328	3,306,592	(646,729)	1,335,297	137,077	-	-	4,132,237	-	4,132,237
Net loss and comprehensive loss for the period							(3,274,715)	(4,232)	(3,278,947)	-	(3,278,947)
<b>Balance as at June 30 2019</b>		253,272,206	21,779,302	414,887	1,337,905	355,077	(20,688,023)	45,444	3,244,592	-	3,244,592
<b>Balance as at December 31 2017</b>		43,011,743	1,132,396	-	-	-	(2,029,535)	(4,464)	(901,603)	-	(901,603)
Shares and units issued:											
Private placements		15,575,001	-						-		-
As payment of expenses and mineral property		200,000	-						-		-
As a settlement of accounts payables		-	1,310,334						1,310,334		1,310,334
Settlement of shareholders payables						96,967			96,967	-	96,967
Transactions with owners		15,775,001	1,310,334	-	-	96,967	-	-	1,407,301	-	1,407,301
Net loss and comprehensive loss for the period							(506,782)	44,043	(462,739)	-	(462,739)
<b>Balance as at June 30 2018</b>		58,786,744	2,442,730	-	-	96,967	(2,536,317)	39,579	42,959	-	42,959

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

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Condensed Interim Consolidated Statements of Cash Flows

Three-month and six-month periods ended June 30, 2019 and 2018

(in Canadian dollars)

		Six-month period ended	
	Note	June 30 2019	June 30 2018
		\$	\$
<b>Operating activities:</b>			
Net loss		(3,274,715)	(506,782)
Adjustments for:			
Consulting fees paid through issuance of shares		176,000	-
Share-based compensation		1,337,905	-
Depreciation of property and equipment		3,605	-
Operating activities before changes in working capital items		(1,757,205)	(506,782)
Change in other receivables		(50,419)	(57,091)
Change in prepaid expenses		(51,322)	-
Change in trade accounts payable and accrued liabilities		(86,621)	247,449
Change in working capital items		(188,362)	190,358
<b>Cash flows used for operating activities</b>		<b>(1,945,567)</b>	<b>(316,424)</b>
<b>Financing activities:</b>			
Proceeds from private placements	8	50,000	-
Proceeds from warrants exercised	8	2,618,332	-
Capital lease repayments		(1,083)	-
Increasing of the amount due to a non-related company		-	690,779
Share issuance costs	8	(20,448)	-
<b>Cash flows from financing activities</b>		<b>2,646,801</b>	<b>690,779</b>
<b>Investing activities:</b>			
Acquisition of equipment		(2,290)	-
Acquisition of mining property		-	(253,603)
<b>Cash flows used for investing activities</b>		<b>(2,290)</b>	<b>(253,603)</b>
<b>Net change in cash and cash equivalents</b>		<b>698,944</b>	<b>120,752</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>1,364,140</b>	<b>38,441</b>
<b>Effect of exchange rate fluctuations on cash held in foreign currencies</b>		<b>44,535</b>	<b>22,505</b>
<b>Cash and cash equivalents, end of period</b>		<b>2,107,619</b>	<b>181,698</b>
Interest paid		214	-

Additional disclosures of cash flows information (Note 11).

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

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements

Three-month and six-month periods ended June 30, 2019 and 2018

(in Canadian dollars)

### 1. Reporting entity and nature of operations:

Cerro de Pasco Resources Inc. and its subsidiaries (hereafter the "Company" or "Cerro de Pasco" or "CDPR") is engaged in the acquisition and exploration of mineral properties.

Cerro de Pasco Resources Inc. is a company domiciled in Canada. The Company was incorporated on June 6, 2003 under the *Business Corporations Act (Alberta)*. On January 28, 2014, the Company changed to the *Canada Business Corporations Act*.

On November 9, 2017, Genius Properties Ltd. entered into a merger agreement with Cerro de Pasco Resources S.A., whereby Genius Properties Ltd. agreed to acquire all of the issued and outstanding shares of Cerro de Pasco Resources S.A. (the "Transaction"). The Transaction closed on October 4, 2018 in exchange of the issuance of common shares of Genius Properties Ltd.

Following the closing of the Transaction, Genius Properties Ltd. changed its name to Cerro de Pasco Resources Inc. and is trading on the Canadian Securities Exchange ("CSE") under symbol "CDPR". In addition, on August 31, 2018, in order to complete the transaction and comply with Peru's legal and tax rules, Cerro de Pasco Resources S.A transferred its net asset to a new entity named Cerro de Pasco Resources Sucursal del Perú which is fully owned by the Company after Transaction.

The Company's head office, which is also the main establishment is located at 22 Lafleur Avenue North, suite 203, Saint-Sauveur, Québec, Canada J0R 1R0 and its web site is [www.pascoresources.com](http://www.pascoresources.com).

The Company is in pre-operative stage. Operational activities are estimated to start as projects reach the level of economic feasibility and have the environmental impact study approved by the competent authority.

### 2. Going concern:

The accompanying consolidated financial statements have been prepared on the basis of the on going concern assumption meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period.

Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt on the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

For the six-month period ended June 30, 2019, the Company recorded a net loss of \$944,219 (\$375,988 in 2018) and has an accumulated deficit of \$20,688,023 as at June 30, 2019 (\$17,413,308 as at December 31, 2018). Besides the usual needs for working capital, the Company must obtain funds to enable it to meet the timelines of its exploration programs and to pay its overhead and administrative costs. As at June 30, 2019, the Company had a working capital of \$1,969,750 (a working capital of \$1,063,885 as at December 31, 2018) consisting of cash and cash equivalents of \$2,107,619 (\$1,364,140 as at December 31, 2018). Management believes that these funds will not be sufficient to meet the obligations and liabilities of the Company. These uncertainties cast significant doubt regarding the Company's ability to continue as a going concern. Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new equity instruments. Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operations. The recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, is subject to certain conditions: the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to continue the exploration, evaluation, development, construction and ultimately disposal of these assets. During the six-month period ended June 30, 2019, the Company has raised \$2,668,332 from warrants exercised and private placements consisting of common shares to fund exploration works and working capital. While management has been successful in raising financing in the past, there is no assurance that it will succeed in obtaining additional financing in the future.

### 3. Basis of preparation:

#### 3.1 Statement of compliance:

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

Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed interim consolidated financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2018.

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2019 and 2018

(in Canadian dollars)

### 3. Basis of preparation (continued):

#### 3.2 Basis of measurement:

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for where IFRS requires recognition at fair value.

#### 3.3 Basis of consolidation:

A subsidiary is an entity over which the Company has control. The Company controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is acquired and de-consolidated from the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The subsidiaries have a reporting date of December 31. The Company attributes total comprehensive loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. All intra-group transactions and balances are eliminated in full on consolidation.

Subsidiary	Status	Jurisdiction of Incorporation	% of Ownership
Cerro de Pasco Resources Sucursal del Perú	Active	Peru	100%
Subsidiary 1 - Zippler Inc. ("Zippler")	Inactive	Canada	100%
Subsidiary 2 - Zencig Corp. ("Zencig")	Inactive	USA	70%

#### 3.4 Functional and presentation currency:

The consolidated financial statements are presented in Canadian dollars. The functional currency of Cerro de Pasco Resources Inc. and the Subsidiary 1 is the Canadian dollars. The functional currency of Cerro de Pasco Resources Sucursal del Perú and the Subsidiary 2 is the US dollars.

#### 3.5 Use of estimates and judgements:

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying the accounting policies of the Company in the preparation of these condensed interim consolidated financial statements and key assumptions related to these estimation uncertainties are the same as the ones listed and described in Note 3.5 of the annual audited consolidated financial statements of the Company as at December 31, 2018.

### 4. Significant accounting policies:

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in Note 5 of the audited financial statements for the year ended December 31, 2018.



# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2019 and 2018

(in Canadian dollars)

### 4. Significant accounting policies (continued):

#### 4.1 Adoption of new accounting standard:

The following new standard has been applied in preparing the condensed interim financial statements as at June 30, 2019.

##### (i) IFRS 16 - Leases:

On January 1, 2019, the Company adopted IFRS 16 which replaces IAS 17 Leases and related interpretations. The core principle is that a lessee recognizes assets and liabilities for all leases with a lease term of more than 12 months. A lessee is required to recognize a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The new standard is intended to provide a faithful representation of leasing transactions, in particular those that do not currently require the lessees to recognize an asset and liability arising from an operating lease. IFRS 16 is effective for annual periods beginning on January 1, 2019, with early adoption permitted for entities that would also apply IFRS 15 Revenue from Contracts with Customers. The adoption of this new standard did not have significant impact on the Company's financial statements.

#### 4.2 New standards and interpretations that have not yet been adopted:

Since the issuance of the Company's audited consolidated financial statements for the year ended December 31, 2018, the IASB and IFRIC have issued no additional new and revised standards and interpretations which are applicable to the Company.

### 5. Cash and cash equivalents:

	June 30 2019	December 31 2018
	\$	\$
Cash	2,077,118	1,326,057
Cash in trust	15,501	23,083
Guaranteed investment certificate, 1.4 % maturing in October 2019 is used as guarantee for credit card	15,000	15,000
	2,107,619	1,364,140

### 6. Mining properties:

Mining properties can be detailed as follows:

	December 31 2018	Rights	Exchange	June 30 2019
	\$	\$	\$	\$
<b>Peru Project:</b>				
Quiulacocha tailings and Excelsior Stockpile:	1,110,343	-	(44,142)	1,066,201
<b>Grand total</b>	1,110,343	-	(44,142)	1,066,201

	December 31 2017	Rights	Exchange	December 31 2018
	\$	\$	\$	\$
<b>Peru Project:</b>				
Quiulacocha tailings and Excelsior Stockpile:	772,684	246,815	90,844	1,110,343
<b>Grand total</b>	772,684	246,815	90,844	1,110,343

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2019 and 2018

(in Canadian dollars)

### 6. Mining properties (continued):

#### Quiulacocha Tailings and Excelsior Stockpile:

CDPR's main asset is a 100% interest in the El Metalurgista Concession (where the so-called Quiulacocha Tailings and Excelsior Stockpile are located), located in Peru (the "Property"). The Property is known as the Excelsior and consists of the Excelsior Mineral Pile ("EMP") and Quiulacocha Tailings ("QT") forming residues generated by the processing of the Cerro de Pasco Mine Pb-Zn-Ag-Cu ore located 310 km from Lima, in east-central Peru.

The EMP occupies an area of 94 ha and contains 26,400,000 m<sup>3</sup> of fragmentary rocks forming terraces composed of sulfide-rich rocks, sericitized volcanic and carbonate (dolomitic) rocks. Metal-bearing minerals consist of sphalerite (Zn), tennantite (Cu), cerussite (Pb), enargite (Cu) and galena (Pb, Ag-rich).

The property is subject to a 2.0% NSR on production. The total 2% may be purchased by the Company as per the following deadlines and payments:

	Cash payments USD \$
In the first 24 months after the start of commercial production.	3,000,000
Between the 25th and 36th months after the start of commercial production.	3,500,000
Between the 37th and 48th months after the start of commercial production.	4,000,000

### 7. Exploration and evaluation assets:

Exploration and evaluation assets by nature are detailed as follows:

	June 30 2019 \$	December 31 2018 \$
<b>Exploration and evaluation costs:</b>		
Installation pre-operative expenses	-	180,712
<b>Exchange</b>	(7,808)	15,694
<b>Balance, beginning of period / year</b>	196,406	-
<b>Balance, end of period / year</b>	188,598	196,406

Exploration and evaluation assets by properties are detailed as follows:

	December 31 2018 \$	Exploration costs \$	Exchange \$	June 30 2019 \$
<b>Peru Project:</b>				
Quiulacocha tailings and Excelsior Stockpile:	196,406	-	(7,808)	188,598
	196,406	-	(7,808)	188,598

	December 31 2017 \$	Exploration costs \$	Exchange \$	December 31 2018 \$
<b>Peru Project:</b>				
Quiulacocha tailings and Excelsior Stockpile:	180,712	-	15,694	196,406
	180,712	-	15,694	196,406

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2019 and 2018

(in Canadian dollars)

### 8. Share capital and warrants:

#### (a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares, without par value, issuable in series.

#### (b) Issued and outstanding:

##### 2019:

On February 14, 2019, the Company issued to a service provider 200,000 common shares valued at \$50,000 for business development consultancy.

On March 13, 2019, the Company issued to a service provider 200,000 common shares valued at \$63,000 for business development consultancy.

On May 13, 2019, the Company issued to a service provider 200,000 common shares valued at \$63,000 for business development consultancy.

##### 2018:

On April 6, 2018, Genius Properties Ltd. concluded a private placement by issuing 10,373,334 units. Each unit consists of one common share and one-half warrant for a total of 10,373,334 common shares and 5,186,671 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.25 until April 6, 2019. The Company may, at its option, accelerate the expiry date under certain conditions.

On April 11, 2018, Genius Properties Ltd. issued 200,000 common shares for mineral property.

On April 27, 2018, Genius Properties Ltd. concluded a private placement by issuing 5,201,667 units. Each unit consists of one common share and one-half warrant for a total of 5,201,667 common shares and 2,600,832 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.25 until April 27, 2019. The Company may, at its option, accelerate the expiry date under certain conditions.

In May and June 2018, Cerro de Pasco Resources S.A. issued common shares for a total value of \$1,310,334 in settlement of accounts payable with shareholders. These settlements resulted in no loss or gain on settlement of accounts payable, in comprehensive loss.

On November 5, 2018, the Company issued to a service provider 200,000 common shares valued at \$48,000 for business development consultancy.

On December 7, 2018, the Company issued to a service provider 200,000 common shares valued at \$64,000 for business development consultancy.

On December 17, 2018, the Company concluded a private placement by issuing 702,000 units at a price of \$0.25 per unit for net proceeds of \$174,481 after deducting share issuance costs of \$1,019. No commission was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 702,000 common shares and 702,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.40 until December 17, 2020. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$46,896 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)). As part of this private placement, the Company also issued a total of 14,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.40 per share until December 17, 2020. These warrants have been recorded at a value of \$1,627 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to \$2,646 including the fair value of the broker warrants of \$1,627.

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2019 and 2018

(in Canadian dollars)

### 8. Share capital and warrants (continued):

#### (b) Issued and outstanding (continued):

##### 2018 (continued):

On December 21, 2018, the Company concluded a private placement by issuing 5,900,000 units at a price of \$0.25 per unit for net proceeds of \$1,446,753 after deducting share issuance costs of \$28,247. A commission of \$16,060 was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 5,900,000 common shares and 5,900,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.40 until December 21, 2020. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$364,748 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)). As part of this private placement, the Company also issued a total of 17,640 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.40 per share until December 21, 2020. These warrants have been recorded at a value of \$1,616 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to \$29,863 including the fair value of the broker warrants of \$1,616.

#### (c) Warrants:

The changes to the number of outstanding warrants granted by the Company and their weighted average exercise price are as follows:

	June 30 2019		December 31 2018	
	Number of outstanding warrants	Weighted average exercise price	Number of outstanding warrants	Weighted average exercise price
		\$		\$
Outstanding at beginning	19,856,226	0.30	-	-
Acquired through a reverse takeover <sup>(1)</sup>	-	-	13,385,714	0.25
Granted	-	-	6,633,640	0.40
Exercised	(10,473,328)	0.25	(50,000)	0.25
Expired	(2,749,258)	0.25	(113,128)	0.25
Outstanding at end	6,633,640	0.40	19,856,226	0.30

(1) See Note 6 of the audited financial statements for the year ended December 31, 2018.

The following table provides outstanding warrants information as at June 30, 2019:

Expiry date	Outstanding warrants		
	Number of outstanding warrants	Exercise price	Remaining life
		\$	(years)
December 17, 2020	716,000	0.40	1.5
December 21, 2020	5,917,640	0.40	1.5
	6,633,640	0.40	1.5

The following table provides outstanding warrants information as at December 31, 2018:

Expiry date	Outstanding warrants		
	Number of outstanding warrants	Exercise price	Remaining life
		\$	(years)
April 27, 2019	13,222,586	0.25	0.3
December 17, 2020	716,000	0.40	2.0
December 21, 2020	5,917,640	0.40	2.0
	19,856,226	0.30	0.9

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2019 and 2018

(in Canadian dollars)

### 8. Share capital and warrants (continued):

#### (c) Warrants (continued):

##### 2018:

On December 17, 2018, the Company issued 702,000 warrants to shareholders who subscribed to 702,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.40 per share until December 17, 2020. The value of the warrants was estimated at \$46,896 at the grant date using the Black-Scholes option pricing model.

On December 17, 2018, the Company issued 14,000 warrants to broker. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.40 per share until December 17, 2020. The value of the warrants has been estimated at \$1,627 using the Black-Scholes option pricing model.

The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.32
Expected volatility <sup>(1)</sup>	77.50%
Risk-free interest rate	1.96%
Expected life	2.0 years

On December 21, 2018, the Company issued 5,900,000 warrants to shareholders who subscribed to 5,900,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.40 per share until December 21, 2020. The value of the warrants was estimated at \$364,748 at the grant date using the Black-Scholes option pricing model.

On December 21, 2018, the Company issued 17,640 warrants to broker. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.40 per share until December 21, 2020. The value of the warrants has been estimated at \$1,616 using the Black-Scholes option pricing model.

The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.28
Expected volatility <sup>(1)</sup>	77.80%
Risk-free interest rate	1.94%
Expected life	2.0 years

(1) The volatility was determined as per an average of the volatility of comparable publicly traded companies and the volatility of the Company.

### 9. Share-based compensation:

#### (a) Share option plan:

The Company has a stock option plan whereby the Board of Directors, may grant to directors, officers or consultants of the Company, options to acquire common shares. The Board of Directors has the authority to determine the terms and conditions of the grant of options. The Board of Directors approved a "Rolling" stock option plan reserving a maximum of 10% of the shares of the Company at the time of the stock option grant, with a vesting period allowed of zero up to eighteen months, when the grant of option is made at market price, for the benefit of its directors, officers, employees and consultants. The Plan provides that no single person may hold options representing more than 5% of the outstanding common shares. The number of stock options granted to a beneficiary and the vesting period are determined by the Board of Directors.

The exercise price of any option granted under the Plan is fixed by the Board of Directors at the time of the grant and cannot be less than the market price per common share the day before the grant. The term of an option will not exceed five years from the date of grant. Options are not transferable and can be exercised while the beneficiary remains a director, an officer, an employee or consultant of the Company or up to twelve months after the beneficiary has left.

There were no share options granted during the years ended December 31, 2018.

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2019 and 2018

(in Canadian dollars)

### 9. Share-based compensation (continued):

#### (a) Share option plan (continued):

The changes to the number of outstanding share options granted by the Company and their weighted average exercise price are as follows:

	June 30 2019		December 31 2018	
	Number of outstanding share options	Weighted average exercise price	Number of outstanding share options	Weighted average exercise price
		\$		\$
Outstanding at beginning	80,000	0.25	-	-
Acquired through a reverse takeover <sup>(1)</sup>	-	-	80,000	0.25
Granted	5,450,000	0.40	-	-
Forfeited	(80,000)	0.25	-	-
Outstanding at end	5,450,000	0.40	80,000	0.25
Exercisable at end	5,450,000	0.40	80,000	0.25

(1) See Note 6 of the audited financial statements for the year ended December 31, 2018.

The following table provides outstanding share options information as at June 30, 2019:

Outstanding share options				
Expiry date	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life
			\$	(years)
March 7, 2024	5,400,000	5,400,000	0.40	4.7
March 29, 2024	50,000	50,000	0.40	4.8
	5,450,000	5,450,000	0.40	4.7

The following table provides outstanding share options information as at December 31, 2018:

Outstanding share options				
Expiry date	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life
			\$	(years)
September 9, 2021	80,000	80,000	0.25	2.7
	80,000	80,000	0.25	2.7

#### 2019:

On March 6, 2019, the Company granted 5,400,000 share options to directors, officers, consultants and an employee at an exercise price of \$0.40 per share, expiring on March 7, 2024. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.25 per share option at the grant date for a total of \$1,326,780 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.320
Expected volatility <sup>(1)</sup>	110.47%
Risk-free interest rate	1.69%
Expected life	5.0 years

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2019 and 2018

(in Canadian dollars)

### 9. Share-based compensation (continued):

#### (a) Share option plan (continued):

On March 28, 2019, the Company granted 50,000 share options to a consultant at an exercise price of \$0.40 per share, expiring on March 29, 2024. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.22 per share option at the grant date for a total of \$11,125 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.295
Expected volatility <sup>(1)</sup>	109.81%
Risk-free interest rate	1.45%
Expected life	5.0 years

(1) The volatility was determined as per an average of the volatility of comparable publicly traded companies and the volatility of the Company.

### 10. General and administrative expenses by nature:

General and administrative expenses recognized in the net loss is as follows:

	Three-month period ended		Six-month period ended	
	June 30 2019	June 30 2018	June 30 2019	June 30 2018
	\$	\$	\$	\$
<b>Selling and administrative expenses:</b>				
Salaries and employee benefit expense	102,635	155,278	223,532	189,846
Management and consulting fees	311,183	99,530	691,745	143,353
Professional fees	185,533	58,366	377,426	97,884
Business development	159,204	14,836	388,216	37,713
Rent and office expenses	75,471	13,560	114,407	20,409
Registration, listing fees and shareholders information	12,114	-	20,337	-
Project implementation cost	3,554	17,964	9,202	31,212
Share-based compensation	-	-	1,337,905	-
Depreciation of property and equipment	1,812	-	3,605	-
	851,506	359,534	3,166,375	520,417

### 11. Supplemental cash flow information:

The Company entered into the following transactions which had no impact on the cash flows:

	Six-month period ended	
	June 30 2019	June 30 2018
	\$	\$
Non-cash financing activities:		
Shares issued as payment of expenses	176,000	-

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2019 and 2018

(in Canadian dollars)

### 12. Related party transactions:

Related parties include the Company's joint key management personnel. Unless otherwise stated, balances are usually settled in cash. Key management includes directors and senior executives. The remuneration of key management personnel includes the following expenses:

	Three-month period ended		Six-month period ended	
	June 30 2019	June 30 2018	June 30 2019	June 30 2018
	\$	\$	\$	\$
Management and consulting fees <sup>(1)</sup>	95,164	-	190,055	-
Salaries and director's fees	82,899	30,330	137,299	56,251
Share-based compensation	-	-	1,056,510	-
	178,063	30,330	1,383,864	56,251

(1) As at June 30, 2019, trade and other payables include an amount of \$36,857 (\$Nil as at December 31, 2018) due to the President and CEO.

These transactions, entered into the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

### 13. Financial assets and liabilities:

The carrying amount and fair value of financial instruments presented in the consolidated statements of financial position related to the following classes of assets and liabilities:

	June 30 2019		December 31 2018	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Financial assets</b>				
Amortized cost				
Cash and cash equivalents	2,107,619	2,107,619	1,364,140	1,364,140
Other receivables (excluding sales tax receivable)	188,168	188,168	152,042	152,042
	2,295,787	2,295,787	1,516,182	1,516,182
<b>Financial liabilities</b>				
Amortized cost				
Trade accounts payable and other liabilities	446,525	446,525	557,836	557,836
	446,525	446,525	557,836	557,836

The fair value of cash and cash equivalents, other receivables and trade accounts payable and other liabilities is comparable to its carrying amount given the short period to maturity, i.e. the time value of money is not significant.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: 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 (that is, derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The techniques and evaluation methods used to measure fair value were not changed compared to previous years.



# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2019 and 2018

(in Canadian dollars)

### 14. Capital management policies and procedures:

The Company considers the items included in equity and long term loan as capital components.

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to shareholders of the Company.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods are presented in the statement of changes in equity.

The Company is not exposed to any externally imposed capital requirements.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its exploration and evaluation activities or may slow its activities until conditions improve. No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

	June 30 2019	December 31 2018
	\$	\$
Obligation under capital lease	3,812	4,894
Equity	3,244,592	2,391,302
	3,248,404	2,396,196

### 15. Financial instrument risks:

The Company is exposed to various risks in relation to financial instruments. The main types of risks the Company is exposed to are credit risk, liquidity risk and foreign currency risk.

The Company manages risks in close cooperation with the board of directors. The Company focuses on actively securing short- to medium-term cash flows by minimizing the exposure to financial markets.

#### (a) Credit risk:

Credit risk is the risk that the other party to a financial instrument fails to honour one of its obligations and, therefore, causes the Company to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date.

Credit risk of other receivables and cash and cash equivalents is considered negligible, since the counterparty which holds the cash and cash equivalents is a reputable bank with excellent external credit rating and the amount of other receivables is guaranteed.

None of the Company's financial assets are secured by collateral or other credit enhancements.

#### (b) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2019 and 2018

(in Canadian dollars)

### 15. Financial instrument risks (continued):

#### (b) Liquidity risk(continued):

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

During the six-month period ended June 30, 2019 and the year ended December 31, 2018, the Company has financed working capital needs through private financings consisting of issuance of shares (before October 5, 2018 and for 2017, Genius Properties Ltd. has financed Cerro de Pasco Resources S.A. through private financings consisting of issuance of shares and long-term debt consisting of an obligation under capital lease). Management estimates that the cash and cash equivalents as at June 30, 2019 will not be sufficient to meet the Company's needs for cash during the coming year.

Contractual maturities of financial liabilities (including capital and interest) are as follows:

	June 30 2019			
	Less than 1 year	1-5 years	More than 5 years	Total
Trade accounts payable and other liabilities	\$ 446,525	\$ -	\$ -	\$ 446,525

  

	December 31 2018			
	Less than 1 year	1-5 years	More than 5 years	Total
Trade accounts payable and other liabilities	\$ 557,836	\$ -	\$ -	\$ 557,836

#### (c) Foreign currency risk:

The Company operates in Canada and Peru. The functional currency of the parent company is the Canadian dollar. The assets, liabilities, revenues and expenses of Peru operations are denominated in USD. The Company has purchase contracts denominated in US dollars ("USD"). The Company is exposed to foreign exchange risks arising from the fluctuation of exchange rates between US dollar and the Canadian dollar. The Company does not enter into arrangements to hedge its foreign exchange risk.

As at June 30, 2019 and December 31, 2018, the Company is exposed to currency risk through fluctuations in the foreign exchange rate with respect to the following financial asset:

	June 30 2019	December 31 2018
	\$	\$
<b>Financial instruments denominated in SOLES</b>		
Cash and cash equivalents	157,908	258,825
Other receivables	52,545	71,230
Trade accounts payable and other liabilities	(179,720)	(330,982)
<b>Net exposure</b>	<b>30,733</b>	<b>(927)</b>

Based on the above net exposure as at June 30, 2019 and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against SOLES would result in a change of \$3,073 (\$93 as at December 31, 2018) in the Company's comprehensive loss and changes in equity.

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2019 and 2018

(in Canadian dollars)

### 16. Commitments and contingency:

#### 16.1 Commitments:

- (i) On August 9, 2017, the Company entered into a lease agreement for office space located in Saint-Sauveur, Québec, Canada. This agreement is effective from September 1, 2017 and expire on August 31, 2020. The monthly payment is \$2,500.

The minimum annual lease payments are as follows:

	\$
2019	15,000
2020	20,000
	35,000

- (ii) On July 1, 2019, the Company entered into a lease agreement for office space (including parking spaces) located in Lima, Peru. This agreement is effective from July 1, 2019 and expire on June 30, 2021. The monthly payment is \$9,266. There is a two months grace period for office space (July & August 2019) and a four months grace period for 75% of the parking spaces (from July to October 2019).

The minimum annual lease payments are as follows:

	\$
2019	35,206
2020	111,180
2021	55,590
	201,976

The Company's operating lease agreement do not contain any contingent rent clauses. None of the operating lease agreement contain renewal or purchase options on escalation clauses or any restrictions regarding dividends, further leasing or additional debt. No sublease payments or contingent rent payment were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Company.

#### 16.2 Contingency:

- (i) On October 5, 2018, before the reverse takeover (see Note 6 of the audited financial statements for the year ended December 31, 2018), Genius Properties Ltd. completed an Asset Transfer Agreement pursuant to which the Company transferred to Genius Metals Inc. ("Genius Metals") the ownership of all mining rights and titles, a part of its trade accounts payable and other liabilities and the other liability related to flow-through shares estimated at \$29,781. In consideration for such transfer, Genius Metals issued to the Company 9,797,970 Genius Metals common shares for a consideration of \$3,463,660. The transfer was recorded at the carrying amount of the assets and liabilities transferred. Notwithstanding that the liabilities related to the flow-through shares were transferred to Genius Metals, the Company retains the ultimate responsibility for the tax liability related to these financings. Genius Metals has indemnified the Company for any such liability.