



## **CERRO DE PASCO RESOURCES INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Three-month and nine-month periods ended

September 30, 2020

(Third Quarter)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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This management discussion and analysis ("MD&A") of Cerro de Pasco Resources Inc., ("Cerro de Pasco Resources" or "CDPR" or the "Company") (formerly known as Genius Properties Ltd.) follows rule 51-102 of the Canadian Securities Administrators regarding continuous disclosure.

The following MD&A is a narrative explanation, through the eyes of the management of Cerro de Pasco Resources, on how the Company performed during the three-month and nine-month periods ended September 30, 2020. It includes a review of the Company's financial condition and a review of operations for the three-month and nine-month periods ended September 30, 2020 as compared to the three-month and nine-month periods ended September 30, 2019.

This MD&A complements the condensed interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2020 but does not form part of them. It is intended to help the reader understand and assess the significant trends, risks and uncertainties related to the results of operations and it should be read in conjunction with the condensed interim consolidated financial statements as at September 30, 2020 and related notes thereto as well as the audited annual consolidated financial statements, accompanying notes and Management's Discussion and Analysis for the year ended December 31, 2019.

The condensed interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2020 and 2019 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to the preparation of condensed interim consolidated financial statements. The accounting policies applied in the financial statements are based on IFRS issued and effective as at September 30, 2020. On November 25, 2020, the Board of Directors approved, for issuance, the condensed annual consolidated financial statements.

All figures are in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). The shares of Cerro de Pasco Resources are listed on the Canadian Securities Exchange ("CSE") under the symbol "CDPR".

## REPORT'S DATE

The MD&A was prepared with the information available as at November 25, 2020.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". In the interest of providing shareholders and potential investors with information regarding Cerro de Pasco Resources, including management's assessment of future plans and operations, certain statements in this MD&A are forward-looking and are subject to the risks, uncertainties and other important factors that could cause the Company's actual performance to differ materially from that expressed in or implied by such statements. Such factors include, but are not limited to: volatility and sensitivity to market metal prices, impact of change in foreign currency exchange rates and interest rates, imprecision in reserve estimates, environmental risks including increased regulatory burdens, unexpected geological conditions, adverse mining conditions, changes in government regulations and policies, including laws and policies; and failure to obtain necessary permits and approvals from government authorities, and other development and operating risks. The preliminary assessments contained in the Technical Report referred to in this MD&A, and the estimates contained therein to date are preliminary in nature and are based on a number of assumptions, any one of which, if incorrect, could materially change the projected outcome.

Although the Company believes that the expectations conveyed by the forward-looking statements are based upon information available on the date that such statements were made, there can be no assurance that such

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expectations will prove to be correct. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements unless required to do so by applicable Securities laws. All subsequent forward-looking statements, whether written or orally attributable to the Company or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

## NATURE OF ACTIVITIES

Cerro de Pasco Resources Inc. and its subsidiaries (hereafter the "Company" or "Cerro de Pasco Resources" or "CDPR") is a resource management company attuned to the most demanding environmental, social and legal compliance required by global institutions and investors. The key strategic strength of the Company is an unparalleled knowledge of the challenges and opportunities presented by the minerals endowment within the city of Cerro de Pasco combined with a highly experienced and practical team of both Peruvian and international management. The key focus of the Company will be on developing the El Metalurgista mining concession using world class geo-resource and industrial development solutions in order to secure long-term economic operational sustainability in harmony with a healthy and prosperous local population. The plan of the Company is to reprocess tailings and stockpiles at the Quiulacocha and Cerro de Pasco sites and also to revive and modernize all existing installations at the mining complex the "Project" or "Quiulacocha Project"

## BUSINESS DEVELOPMENT HIGHLIGHTS

- **Financing – Private placement**

On July 2, 2020, the Company concluded a private placement by issuing 1,812,034 units at a price of \$0.30 per unit for proceeds of \$543,610. Each unit consists of one common share and one warrant for a total of 1,812,034 common shares and 1,812,034 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until July 2, 2022.

On August 21, 2020, the Company concluded a private placement by issuing 1,128,130 units at a price of \$0.30 per unit for proceeds of \$338,440. Each unit consists of one common share and one warrant for a total of 1,128,130 common shares and 1,128,130 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until August 21, 2022. This private placement closed the final tranche of the non-brokered private placement. The company raised aggregate gross proceeds of \$2,000,000 (please refer to press release issued on July 2, June 16 and June 11<sup>th</sup>, 2020)

On August 28, 2020, the Company concluded a private placement by issuing 3,333,334 units at a price of \$0.30 per unit for proceeds of \$1,000,000. Each unit consists of one common share and one warrant for a total of 3,333,334 common shares and 3,333,334 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until August 28, 2022.

- **Amendment to the Transaction**

On September 1, 2020, The Company announced that it extends the closure date of CDPR's acquisition of the Cerro de Pasco Mine (the "Transaction"), to October 30, 2020.

Subsequently on November 2, 2020 the Company announced that it was unable to reach agreement with Volcan on certain issues and as such decided not to extend the Transaction in spite of suggestion by Volcan to extend for 45 days. Whilst the deadline for the Transaction has expired, both Volcan and CDPR are committed to continue evaluating a transaction that is satisfactory to both parties, accretive to CDPR's shareholders and beneficial to the local communities.

- **NI 43-101**

The Company has engaged international mining industry consulting firm, CSA Global Consultants Canada Ltd. ("CSA Global"), to complete a geological and Mineral Resource estimate review and audit at Cerro de Pasco and to complete a Technical Report on the resources included as part of the Transaction.

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The NI-43-101 was completed in October 2020 and submitted to the relevant Canadian regulators for review. The company plans to make the report public as soon as possible however contingent upon a Transaction with Volcan

- **Environmental Audit**

The Company engaged Ausenco / Hemerra, to conduct an Environmental Audit for baseline operations as it relates to the Transaction.

On August 7, 2020, the Company received the final version of the Environmental Audit for baseline operations. The report was sanctioned as part of the due diligence process as it relates to the Transaction and is subject to confidentiality.

- **Other**

On August 19, 2020, the Company issued to service providers 30,000 common shares for business development consultancy.

The Company entered into an employment agreement with Bernhard Dold on June 24, 2020 for the position of CTO to the Company. The Company issued 100,000 common shares as a signing bonus on August 19, 2020.

On August 19, 2020, the Company granted 200,000 share options to consultants, to purchase 200,000 common shares of the Company at an exercise price of \$0.40 per share and expiring on August 19, 2023.

On August 28, 2020, the Company issued 250,000 warrants as a finder's fee. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.365 per share until August 28, 2022.

On August 28, 2020, the Company granted 4,500,000 share options to directors, officers, consultants and employees at an exercise price of \$0.40 per share which 4,300,000 share options expiring on August 28, 2025 and 200,000 share options expiring on August 28, 2023. Each share option entitles the holder to acquire one common share.

On September 1, 2020 the Company under the advice of Sprott Capital Partners, its financial advisors in relation to the funding of the Transaction began to embark on a prospectus offering. As result the company spent significant amount of time working on a wide range of documents necessary for this to occur. On November 2<sup>nd</sup> the company slowed down its efforts to compete the prospectus offering as result of decision not to extend the Transaction with Volcan.

## BUSINESS DEVELOPMENT SUBSEQUENT EVENTS

- **Financing – Convertible Debenture**

On October 16, 2020, the Company announced that it completed a convertible debenture financing of \$1,000,000. The debenture is repayable in one year with interest at 10% per year. The Debenture will be used for general working capital and beginning the Quiulacocha drilling program. The Loan is convertible, at the option of the lender, into common shares of the Company, at \$0.60 per share, which represented a 64% premium over the closing price of the Company's shares on October 14, 2020. An aggregate of 1,857,143 common share purchase warrants were also issued to the lender. Each warrant entitles the holder to acquire an additional common share at a price of \$0.60 until October 15, 2022.

- **Transaction Update**

On November 2, 2020 and about previous Company announcements whereby CDPR will acquire all of the issued shares of Oxidos de Pasco S.A.C., Empresa Administradora de Cerro S.A.C. and Remediadora Ambiental S.A.C. from Volcan Compañía Minera SAA, the Company provided the following update.

In the process of finalizing the details of the transaction, CDPR and Volcan were unable to reach agreement on certain issues that require further clarification. Whilst the deadline for the transaction has

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expired, both companies are committed to continue evaluating a transaction that is satisfactory to both parties, accretive to CDPR's shareholders and beneficial to our local communities.

In anticipation of completing the transaction, CDPR was able to arrange financing commitments and expressions of interest in excess of USD60M in a combination of equity and unsecured debt financing, as well as lines of credit to satisfy conditions precedent relating to demonstrating financial capability. Management is confident this level of interest will remain given the strength of CDPR's value proposition.

In line with our previous Company announcement of the upcoming Quiulacocha exploration program, CDPR continues to evaluate all alternatives that will deliver full value to its shareholders and the community of Cerro de Pasco, with whom we have been engaging proactively and successfully for the last three years.

## PROJECT DEVELOPMENT HIGHLIGHTS

The Company continues to focus its efforts on further developing the Project. These efforts were focused on all areas of importance as summarized below:

- **Community relations**

The Company continued to spend a significant amount of time communicating the opportunities of the El Metalurgista Project to the two adjacent local communities, Quiulacocha and the human settlement of Champamarca. Community support is integral for the success of any project in Peru. The Company continued to spend capital and time effort in communicating all the benefits of the proposed project to the members of the community. This was achieved by production of materials highlighting those benefits, distribution of those materials to the local communities, one on one communication with relevant stakeholders of the communities and general assembly meetings with the community population at large. The Company also hosted several cultural activities, participated in several sponsorship opportunities, and donated miscellaneous items to the children attending school.

In September 2019, the Quiulacocha Community has voted decisively in favor of CDPR's tailings reprocessing plan. This represents a crucial step towards achieving the required social license and key permits. Perhaps more important than any legal authorization, the landmark vote reinforces the Company's partnership with the communities. It enables CDPR to remove and reprocess mining waste at the famous Cerro de Pasco mine, and in doing so would provide an effective and practical environmental remediation solution with long -term economic and social benefits.

The decisive result was achieved on the 15<sup>th</sup> of September 2019 at the General Assembly of the Community chaired by Mr. Miguel Baldeon Hermitaño and ratified on the 19<sup>th</sup> of September 2019. Ninety Eight percent (98%) of the community members attending the event voted in favor of the CDPR's initiative. According to the count made by community officials, the ratification of the "Agreement to Support the Reprocessing Project of Mining Tailings" was approved by one hundred three (103) votes in favor, only three (3) against and zero (0) abstentions.

The community has agreed to assist CDPR, in the remediation of contamination specifically found in old tailings within the historical El Metalurgista Concession, through its removal & reuse. The Community of Quiulacocha owns an area of approximately 40 km<sup>2</sup> located in the area of influence of the El Metalurgista project.

Individual meetings with the representatives of the community of Quiulacocha, the human settlement of Champamarca, the Provincial Municipality of Cerro de Pasco, and the Municipality of Rancas are held on a regular basis to ensure a good information flow regarding the planned Quiulacocha exploration project and the acquisition of the Target Companies by CDPR. These meetings also serve as a platform to discuss other relevant issues, such as company policies, local development needs, and contract opportunities for local communities.

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- **Government relations**

The Company continued to spend time and capital communicating the opportunities of the El Metalurgista Project to the local and national government of Peru. The company employed various consultants to produce technical materials, related to health, safety, environment and communities. The materials highlighted the opportunities of the project and the potential positive impact it will have on Cerro De Pasco.

- **Urban Plan – Partial and Staged Relocation Strategy**

The company stepped up its internal process to clearly define areas of the town of Cerro de Pasco that would be affected by future projects. A staged footprint plan will be prepared in consultation with expert urban planners and in due course communicated to local and national government to build consensus at the outset. This effort is essential to the long-term success of the project.

- **Environmental Impact Declaration**

On July 14, 2020, the Company announced that the Environmental Impact Declaration (Declaración de Impacto Ambiental) (the "DIA") for the exploration of the Quiulacocha tailings deposit has been approved for admittance by the Peruvian Ministry of Energy and Mines (MINEM) as of July 7, 2020

The DIA provides the details and coordinates for the 40-hole drilling program that CDPR intends to carry out on its El Metalurgista Concession located within the Quiulacocha tailings deposit. The Quiulacocha tailings deposit covers approximately 115 hectares with tailings deposited in the Quiulacocha Tailings Storage Facility (TSF) from the early 1920's to 1997. According to historical records, the Cerro de Pasco mine processed approximately 73 million tonnes of sulphide material between 1952 to 1997 from the open pit and underground workings, which was deposited into this facility during this time.

Cerro de Pasco mining operations started in 1630 and are still operational today. The tailings stored in the TSF, comprised of processing residues, come from the Cerro de Pasco open pit and underground mine. Initially these tailings resulted from the mining of copper-silver-gold mineralization with reported historical head grades of up to 10% Cu, 4g/t Au and over 300g/t Ag and later from the mining of zinc-lead-silver mineralized material with average historical grades of 7.41% Zn, 2.77% Pb and 90.33g/t Ag. The most recent Historical Mineral Resource Estimate for the Quiulacocha tailings by BO Consulting in 2012 reported 2.9 Mt at 1.43% Zn, 0.79 % Pb, 43.1 g/t Ag, and 0.04% Cu. This estimate was based on a shallow surface auger sampling program which was estimated to represent only 4% of the expected tonnes of the deposit.

This Historical Resource Estimate is detailed and discussed in the technical report titled The Excelsior Mineral Pile (EMP) and Quiulacocha Tailings (QT) associated with the Cerro de Pasco Mine, Cerro de Pasco District, Altiplano Region, North-Central Peru filed on Sedar.com on July 26, 2018 and available on the Company's website at [www.pascoresources.com](http://www.pascoresources.com). They are treated as historic information and have not been verified for economic evaluation by the Company. These are considered Historical Mineral Resources and do not refer to any category of sections 1.2 and 1.3 of the Canadian Securities Administrator's National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") such as Mineral Resources or Mineral Reserves as stated in the 2010 CIM Definition Standards on Mineral Resources and Mineral Reserves. A Qualified Person (within the meaning of NI 43-101) has not done sufficient work to classify the historical estimate as current Mineral Resources or Mineral Reserves. The explanation lies in the inability by the Qualified Person to fully verify the data acquired by the various historical drilling campaigns and other sampling works. Further drilling would be required to upgrade or verify the historical resources. However, the Qualified Person has read the documents pertaining to historical evaluation of the Mineral Resources and is of the opinion that they need to be updated to fully conform to the NI 43-101 or CIM norms.

The drilling program presented in the DIA is planned with sonic drilling equipment and will focus on the central, deeper section of the tailings deposit. Drilling is planned on a 100 x 100-meter grid with drill depth to be limited by the base of the deposit (lake sediments and organic material). It is expected that the

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drilling will confirm the grades already established in the upper portion of the tailings while also intersecting the expected higher-grade tailings in the deeper sections of the deposit. The sampling and assaying program from the drilling will include a Quality Assurance/Quality Control (QA/QC) program which incorporates the insertion of blanks, standards, twin samples, duplicate pulps and coarse rejects and a selection of sample pulps to be sent to a secondary laboratory. After completing the sampling and assaying program and mineralogical studies, composites will be generated to undertake metallurgical studies.

On August 18, 2020 MINEM confirmed that their internal review of the DIA was completed, and that they are awaiting the Technical Opinion of the National Water Authority (ANA).

On August 19, 2020 ANA confirmed to the Company that the review of DIA was ongoing, and they will submit their Technical Opinion to the General Directorate of Mining Environmental Affairs (DGAAM) before the end of August.

On August 20, 2020, the Company obtained the permit for collection of species (flora and fauna) from SERFOR

CDPR expects to obtain the approval of the DIA in the fourth quarter of 2020, after which exploration can commence. The exploration drilling company has been identified and a contract for the 40-platform drilling campaign is ready for signature.

- **Formal Proposal to Peruvian Ministry of Energy and Mines**

Since the start of 2019, the Company has been in discussions with the legal department of the Peruvian Ministry of Energy and Mines (the "MINEM") with regards to finding the best legal mechanism for the State of Peru to grant the company with the tailings areas which surround the El Metalurgista concession. On July 26<sup>th</sup>, 2019 the Company provided MINEM with a formal proposal and legal remedy for the State to grant the Company rights to the entire tailings area for the Company to conduct a comprehensive analysis and develop an effective retreatment and remediation plan. In this regard the Company has proposed to provide MINEM with an irrevocable performance guarantee with respect to the activities the Company plans to carry out on the surround tailings.

- **The Company's Commitments to Internationally-Accepted Industry Practices for Environmental, Community, Safety, Anti-Corruption, and Corporate Social Responsibility (CSR) Matters**

In the second quarter of 2019, the Company board of directors approved several policies related to Environment, Community, Safety, Anti-Corruption, and Corporate Social responsibility (CSR).

CDPR's key focus is the environmental remediation through the extraction of remaining valuable minerals from the stockpiles and deposits generated by previous local mining activities. CDPR endorses and conducts responsible mining practices. CDPR will utilize up-to-date technology and industrial development solutions to secure long-term economic sustainability and a healthy and prosperous local population at Cerro de Pasco.

CDPR clearly recognizes that the communities and the environments in which it operates in are inter-dependent and that it may be held accountable for any effects and potential consequences. The proper management of these inter-connecting activities is essential to the economic well-being of CDPR. Therefore, CDPR is totally committed to having first-rate programs for: protection of the environment; providing safe workplaces for its employees and contractors; responsibly and ethically managing our relationships with its Project stakeholders and in the local communities where it operates; and, ensuring that CDPR is one that readily accepts and promotes itself as following the principles of corporate social responsibility or CSR.

CDPR has a rigorous commitment to the principles of corporate social responsibility, anti-corruption ethics, sound environmental practices, safe working conditions for our employees, and positive community involvement in its Projects. To that end, CDPR has strong, formal policies on these matters,

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which conform to generally-accepted international standards, that have been formally adopted by the CDPR Board.

CDPR's development of the Cerro de Pasco Project will be guided by internationally-accepted core principles and strategic goals. As such, CDPR will be driven by the Principles of Performance (listed below) of the International Council on Mining and Metals (ICMM), a well-respected international organization dedicated to a safe, fair, and sustainable mining and metals industry. The ICMM is comprised of 26 of the world's leading mining and metals companies and 35 regional and commodities associations.

1. Apply ethical business practices and sound systems of corporate governance and transparency to support sustainable development;
2. Integrate sustainable development in corporate strategy and decision-making processes;
3. Respect human rights and the interests, cultures, customs and values of employees and communities affected by our activities;
4. Implement effective risk-management strategies and systems based on sound science and which account for stakeholder perceptions of risks;
5. Pursue continual improvement in health and safety performance with the ultimate goal of zero harm;
6. Pursue continual improvement in environmental performance issues, such as water stewardship, energy use and climate change;
7. Contribute to the conservation of biodiversity and integrated approaches to land-use planning;
8. Facilitate and support the knowledge-base and systems for responsible design, use, re-use, recycling and disposal of products containing metals and minerals;
9. Pursue continual improvement in social performance and contribute to the social, economic and institutional development of host countries and communities; and
10. Proactively engage key stakeholders on sustainable development challenges and opportunities in an open and transparent manner. Effectively report and independently verify progress and performance.

## Code of Business Conduct and Ethics

On November 15, 2019 the Company adopted a Code of Business Conduct and Ethics embodies our commitment to conduct our business according to the highest ethical standards.

CDPR success is built on a commitment to high standards of corporate governance, business conduct, and professional integrity. We conduct our business around the world in an ethical, honest and accountable manner and in accordance with applicable laws, rules and regulations. We value, and are committed to, transparency in our business practices, consistent with good commercial confidentiality. Our company is committed to the principles of Responsible Mining.

The CDPR Corporate Code of Business Conduct and Ethics outlines our obligations regarding: business integrity, labor practices, security, human rights, transparency, public disclosure, cultural heritage, avoiding conflicts of interest, avoiding insider trading, anti-fraud, and anti- corruption & anti-bribery, among others.

## CORPORATE OBJECTIVES FOR 2020

- Complete the acquisition of the Cerro de Pasco Mine with Volcan Compañía Minera S.A.A. (BVL:VOLCABC1)("Volcan") outlined in the press releases on March 31, 2020 and November 28, 2019, (the "Transaction");
- Improve the efficiencies of the main operating assets contemplated in the Transaction, namely the oxide mining and leach processing plant and the two base metals concentrators currently treating stockpiles;



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- Complete Mineral Resource Estimates of the business combination on completion of the Transaction. Specifically, the new NI43-101 Mineral Resource Estimates will include the following areas:
  - Oxides
  - Sulphides
  - Excelsior stockpile
  - Miraflores stockpile
  - Pyrite stockpile
  - Rumilliana stockpile
- Commence with the exploration of the Quiulacocha historical tailings deposit;
- Conduct metallurgical test work on the Quiulacocha tailings material;
- Complete an Environmental Audit for baseline operations; and
- Commence a post-transaction, dual-listing process to the TSX-V/TSX and BVL (Lima) Stock Exchanges.

## CURRENT PROJECTS

### Cerro De Pasco

- Cerro de Pasco is one of the oldest and largest polymetallic mines in the world, operating for almost 400 years.
- The Quiulacocha tailings facility contains approximately **79MT of processable mineral**, from the Cerro de Pasco mining complex.
- The Excelsior Stockpile, likewise, from the mine, contains **104MT with an estimated 43Mt** of mineral that could be processed at nearby concentrators Paragsha and San Expedito.
- Currently, these facilities are working well below installed capacity and efficiency and therefore, the possibility exists for either a tolling agreement or an acquisition of all processing facilities at Cerro de Pasco



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## The Excelsior Mineral Pile and Quiulacocha Tailings

The Excelsior property consists of the Excelsior Mineral Pile ("EMP") and Quiulacocha Tailings ("QT") which are 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 Cerro de Pasco mine became one of the world's richest silver producing regions after base and precious metals were discovered in 1630. The EMP left from the mine operations contains an estimated 104Mt of which an estimated 43Mt can be economically processed and the QT contains 79Mt of which an estimated 79Mt could be economically processed. Cerro de Pasco Resources Inc. through its Peruvian Branch, Cerro de Pasco Resources Sucursal del Peru, owns 100% of the mineral rights of the El Metalurgista Concession, where the EMP and QT are located.

The Excelsior stockpile has been extensively explored by RC drilling, trenching and tested through metallurgical test work programs.

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 more reliable Historical Resources Estimate generated 42.89 Mt @ 0.09 wt. % Cu (85.1 M lb), 0.73 wt. % Pb (690.3 M lb), 1.59 wt. % Zn (1696.1 M lb) and 66.1 g/t Ag (91.1 M oz) with Pb+Zn= 2.33 wt. %\*.

The QT cover a surface of 114 ha and contain approximately 79 Mt of pyrite-bearing tailings of two different types: Cu-rich and Zn-Pb-rich sulphides. The best Historical Resources Estimate generated a total of 2.94 Mt @ 43.1 g/t Ag (4.1 M oz), 418 ppm Cu, 0.79 wt. % Pb (51.2 M lb) and 1.43 wt. % Zn (92.7 M lb)\*.

Satellite view of the Cerro de Pasco area showing the ancient Raul Rojas open pit and the Quiulacocha Tailing (QT) and Excelsior Mineral Pile (EMP).

\* The estimates presented above are treated as historic information and have not been verified or relied upon for economic evaluation by the Issuer or the writer. These are considered historical Mineral Resources and do not refer to any category of sections 1.2 and 1.3 of the NI-43-101 Instrument such as Mineral Resources or Mineral Reserves as stated in the 2010 CIM Definition Standards on Mineral Resources and Mineral Reserves. The explanation lies in the inability by the authors to verify the data acquired by the various historical drilling campaigns and other sampling works. The authors have read the documents pertaining to the description of the different methods used in the historical evaluation of the Mineral Resources. The Issuer has not done sufficient work yet to classify the historical estimates as current Mineral Resources or Mineral Reserves. Therefore, the Issuer is in the opinion that the above quoted resources for the EMP and QT cannot be relied upon.

## Our Business Plan

The plan of the Company is to reprocess tailings and stockpiles at Cerro de Pasco and to use these to revive and modernise all existing installations at the mining complex.

The pit still holds significant reserves and resources. The current political, social and economic climate in Peru creates a positive platform from which the Company can execute its vision for a fully integrated and multi-dimensional economic rehabilitation of all of the current and legacy minerals assets around the city of Cerro de Pasco. Cerro de Pasco Resources continues to advance a dialogue with leading experts on mineral waste recycling and site remediation with the aim of achieving an ambitious "zero waste" solution and the creation of a Circular Economy for the city of Cerro de Pasco. The Company has received encouraging signals from multiple levels of the Peruvian Ministry of Energy and Mines beckoning an intensive exploration and development phase starting in 2020.

## Our Concept Proposal

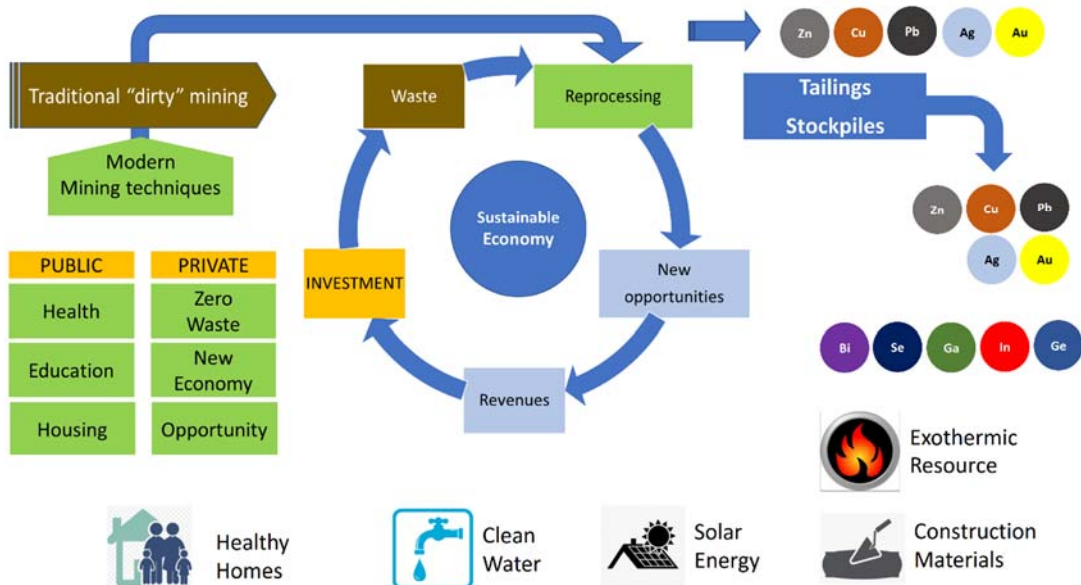
*"SUSTAINABLE DEVELOPMENT OF THE CERRO DE PASCO COMPLEX TOWARDS A MODERN ZERO WASTE OPERATION"*

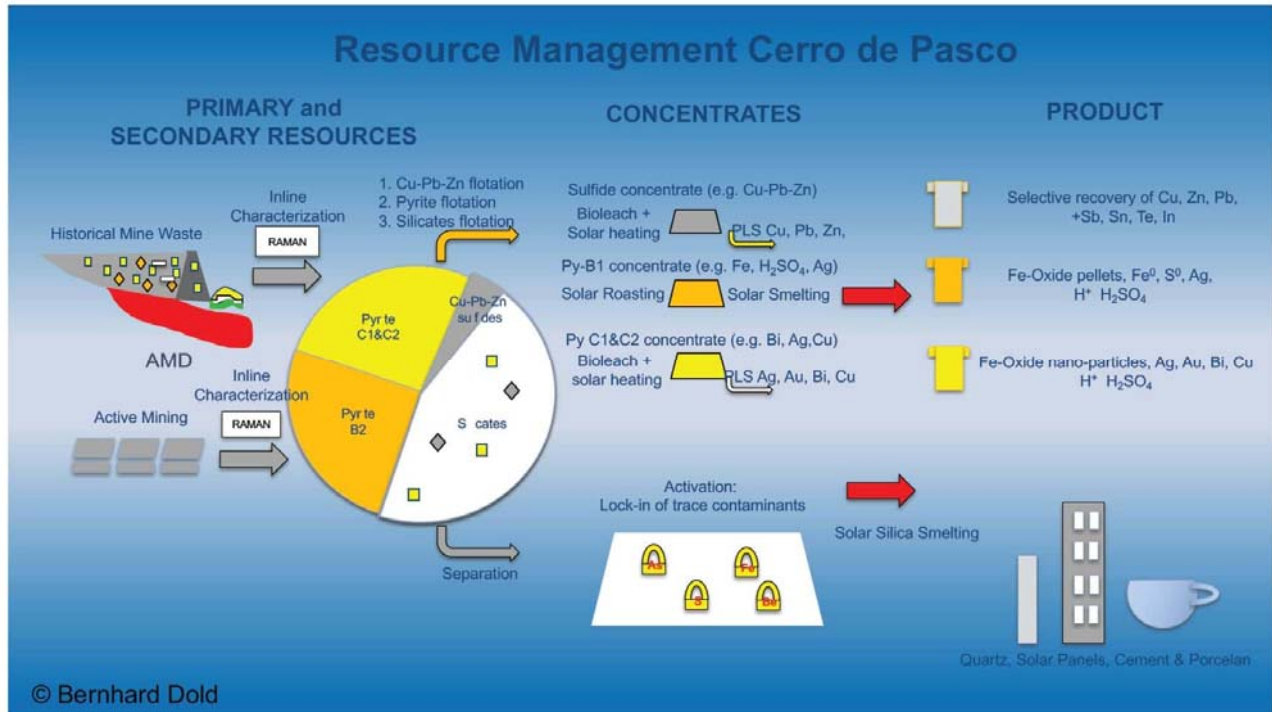
# MANAGEMENT'S DISCUSSION AND ANALYSIS

The future of Cerro de Pasco will depend on the application of the latest science in geo-resource and industrial development. The town's history has, until now depended entirely on conventional "dirty" mining of commodity metals. However, new science can secure long-term economic sustainability in harmony with a healthy and prosperous local population. The initial objective of this project will be to drive the productive utilization of all material resources available at Cerro de Pasco and new industrial activities that will further perpetuate prosperity into the future. To achieve a series of objectives, CDPR will need to start by integrating all its resources and introducing techniques to reprocess all tailings and stockpiles contained within the entire complex.

The Concept starts with a complete exploration of the potential of the resources present at Cerro de Pasco and their current impact on the environment (to include a Baseline study of the entire Cerro de Pasco Watershed). It also includes the development of a sustainable inline extraction process towards the elimination of all waste. This implies a search for and separation of critical elements like Rare Earth Elements (REE), Platinum Group Elements (PGE) and other strategic elements (Ge, In, Ga) as well research and innovation to use of the main volume of the known waste material (pyrite, carbonates, and silicates). An example is the innovative exploitation of the heat capacity of pyrite for home heating systems for the population of Cerro de Pasco. Additionally, a new concept for the sustainable urban development of Cerro de Pasco will be created to strengthen the social impact by providing better living conditions for the whole population of Cerro de Pasco. This implies the attraction of secondary industries drawing benefit from the entire range of geo-resources present at Cerro de Pasco (including classical commodities (Pb, Zn, Ag, Bi, Cu, Au) as well as innovative commodities (including pyrite, carbonate, silicates).

The positive impacts will be immense in terms of job creation, poverty reduction and quality of life at Cerro de Pasco, a city with over 50,000 inhabitants and a unique history in, and loyalty to mining. CDPR will promote a broad spectrum of initiatives including urban re-planning, health and welfare in collaboration with the local and national authorities. Under the initial plan, households will be relocated from the most heavily contaminated areas. Cerro De Pasco Resources can therefore become the nucleus for sustainable growth, renewing the site's ageing infrastructure and plant and employing the latest technologies to create an emblematic project.





## Exploration outlook

As part of the next steps in the development of the project, the Company will first need to update the historical Mineral Resource Estimates performed on the QT and EMP to render them compliant with the NI43-101 and CIMM norms. Regarding the EMP Resource Estimate, re-sampling of the 2009 RC drill holes (if retrievable) and pits, and sinking of twin holes will be necessary. The upgrading to Indicated or Measured Mineral Resources may also require additional RC drill holes to tighten the spacing which currently sits at 30 to 50 m. Note the QT Mineral Resource Estimate concerns about 225,000 m<sup>2</sup> of tailings area; less than half of the total surface. The Company is evaluating a sonic drilling program to expand the QT resources.

In addition, CSA Global Consultants Canada Ltd has been commissioned by Cerro de Pasco Resources Inc. to validate the Mineral Resource estimates provided by Volcan Compañía Minera and to generate CDPR's Mineral Resource Statement. As of April 2020, CSA has completed the site visits and is currently reviewing the Mineral Resource estimates.

The NI-43-101 is expected to be complete by the end of August 2020. The Company plans to make the report public as soon as possible.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## MINING PROPERTIES & EXPLORATION AND EVALUATION ASSETS

Mining properties and exploration and evaluation assets for the three-month periods ended September 30, 2020 and 2019.

### CERRO DE PASCO RESOURCES INC.

#### Mining properties

For the three-month period ended September 30, 2020

|                                     | PERU  |           |
|-------------------------------------|---|-----------|
|                                     | Quiulacocha tailings<br>and Excelsior Stockpile | Total     |
|                                     | \$  | \$        |
| Mining properties                   |   |           |
| Mining rights                       | -   | -         |
| Exchange loss                       | (30,926)  | (30,926)  |
|                                     | (30,926)  | (30,926)  |
| <b>Balance, beginning of period</b> | 1,458,330                                       | 1,458,330 |
| <b>Balance, end of period</b>       | 1,427,404                                       | 1,427,404 |

#### Mining properties

For the three-month period ended September 30, 2019

|                                     | PERU  |           |
|-------------------------------------|---|-----------|
|                                     | Quiulacocha tailings<br>and Excelsior Stockpile | Total     |
|                                     | \$  | \$        |
| Mining properties                   |   |           |
| Mining rights                       | -   | -         |
| Exchange gain                       | 12,709  | 12,709    |
|                                     | 12,709  | 12,709    |
| <b>Balance, beginning of period</b> | 1,066,201                                       | 1,066,201 |
| <b>Balance, end of period</b>       | 1,078,910                                       | 1,078,910 |

#### Exploration and evaluation assets

For the three-month period ended September 30, 2020

|                                     | PERU  |           |
|-------------------------------------|---|-----------|
|                                     | Quiulacocha tailings<br>and Excelsior Stockpile | Total     |
|                                     | \$  | \$        |
| Exploration and evaluation assets   |   |           |
| Installation pre-operative expenses | -   | -         |
| Reporting <sup>(1)</sup>            | (284,688)                                       | (284,688) |
| Exchange loss                       | (4,165)   | (4,165)   |
|                                     | (288,853)                                       | (288,853) |
| <b>Balance, beginning of period</b> | 481,083   | 481,083   |
| <b>Balance, end of period</b>       | 192,230   | 192,230   |

#### Exploration and evaluation assets

For the three-month period ended September 30, 2019

|                                     | PERU  |         |
|-------------------------------------|---|---------|
|                                     | Quiulacocha tailings<br>and Excelsior Stockpile | Total   |
|                                     | \$  | \$      |
| Exploration and evaluation assets   |   |         |
| Installation pre-operative expenses | -   | -       |
| Reporting                           | -   | -       |
| Exchange gain                       | 2,248   | 2,248   |
|                                     | 2,248   | 2,248   |
| <b>Balance, beginning of period</b> | 188,598   | 188,598 |
| <b>Balance, end of period</b>       | 190,846   | 190,846 |

<sup>(1)</sup> Reclassification of \$284,688 of exploration and evaluation assets to consulting fees.

## MINING PROPERTIES & EXPLORATION AND EVALUATION ASSETS

Mining properties and exploration and evaluation assets for the nine-month periods ended September 30, 2020 and 2019.

### CERRO DE PASCO RESOURCES INC.

#### Mining properties

For the nine-month period ended September 30, 2020

|                                     | PERU  |           |
|-------------------------------------|---|-----------|
|                                     | Quiulacocha tailings<br>and Excelsior Stockpile | Total     |
|                                     | \$  | \$        |
| Mining properties                   |   |           |
| Mining rights                       | -   | -         |
| Exchange gain                       | 37,561  | 37,561    |
|                                     | 37,561  | 37,561    |
| <b>Balance, beginning of period</b> | 1,389,843                                       | 1,389,843 |
| <b>Balance, end of period</b>       | 1,427,404                                       | 1,427,404 |

#### Mining properties

For the nine-month period ended September 30, 2019

|                                     | PERU  |           |
|-------------------------------------|---|-----------|
|                                     | Quiulacocha tailings<br>and Excelsior Stockpile | Total     |
|                                     | \$  | \$        |
| Mining properties                   |   |           |
| Mining rights                       | -   | -         |
| Exchange loss                       | (31,433)  | (31,433)  |
|                                     | (31,433)  | (31,433)  |
| <b>Balance, beginning of period</b> | 1,110,343                                       | 1,110,343 |
| <b>Balance, end of period</b>       | 1,078,910                                       | 1,078,910 |

#### Exploration and evaluation assets

For the nine-month period ended September 30, 2020

|                                     | PERU  |         |
|-------------------------------------|---|---------|
|                                     | Quiulacocha tailings<br>and Excelsior Stockpile | Total   |
|                                     | \$  | \$      |
| Exploration and evaluation assets   |   |         |
| Installation pre-operative expenses | -   | -       |
| Reporting                           | -   | -       |
| Exchange gain                       | 5,059   | 5,059   |
|                                     | 5,059   | 5,059   |
| <b>Balance, beginning of period</b> | 187,171   | 187,171 |
| <b>Balance, end of period</b>       | 192,230   | 192,230 |

#### Exploration and evaluation assets

For the nine-month period ended September 30, 2019

|                                     | PERU  |         |
|-------------------------------------|---|---------|
|                                     | Quiulacocha tailings<br>and Excelsior Stockpile | Total   |
|                                     | \$  | \$      |
| Exploration and evaluation assets   |   |         |
| Installation pre-operative expenses | -   | -       |
| Reporting                           | -   | -       |
| Exchange loss                       | (5,560)   | (5,560) |
|                                     | (5,560)   | (5,560) |
| <b>Balance, beginning of period</b> | 196,406   | 196,406 |
| <b>Balance, end of period</b>       | 190,846   | 190,846 |

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## QUALIFIED PERSON

Mr. Shane Whitty has reviewed and approved the scientific and technical information regarding the technical information contained in this news release. Mr. Whitty is a qualified Person within the meaning of the NI 43-101 and is also the Vice President, Exploration for CDPR.

## FINANCIAL INFORMATION

### Functional and presentation currency

These selected quarterly financial information and other financial information are presented in Canadian dollars, the Company's functional currency.

### IFRS Accounting policies

The Company's significant accounting policies under IFRS are disclosed in Note 5 in the audited annual consolidated financial statements for the year ended December 31, 2019.

### Use of estimates and judgements

Please refer to Note 3.5 of the 2019 audited annual consolidated financial statements for an extended description of the information concerning the Company's significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses.

### Reporting global event

During the nine-month period ended September 30, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital.

The Company has implemented the health measures recommended by the Canadian and Peruvian authorities to reduce physical contact: significant reduction in travel, teleworking and video conferences and others. The Company is continuing its activities to further the Company's objectives during this uncertain and rapidly evolving time. 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 Company and its operations in future periods. Due to market uncertainty the Company may be restricted in its ability to raise additional funding.

### Changes in accounting policies

The Company's changes to accounting policies are disclosed in Note 4.1 in the condensed interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2020.

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

The information is provided in Note 4.2 of the condensed interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2020.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## Reverse takeover

The information is provided in Note 6 in the audited annual consolidated financial statements for the year ended December 31, 2019.

## Dividends

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its exploration programs and its future growth, and any other factor that the Board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

## SELECTED QUARTERLY FINANCIAL INFORMATION

Cerro de Pasco Resources anticipates that the quarterly and annual results of operations will primarily be impacted for the near future by several factors, including the timing and efforts of the exploration's expenditures and efforts related to the development of the Company. Due to these fluctuations, the Company believes that the quarter to quarter and the year-to-year comparisons of the operating results may not be a good indication of its future performance.

The following selected quarterly financial information is derived from our unaudited condensed annual financial statements for each of the two most recently completed financial years.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CERRO DE PASCO RESOURCES INC. SELECTED QUARTERLY FINANCIAL INFORMATION

|   | 2020             |                  |                  |                  | 2019            |                 | 2018              |
|---|------------------|------------------|------------------|------------------|-----------------|-----------------|-------------------|
|   | Q3               | Q2               | Q1               | Q4               | Q3              | Q2              | Q4                |
|   | \$               | \$               | \$               | \$               | \$              | \$              | \$                |
| <b>CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS</b>     |                  |                  |                  |                  |                 |                 |                   |
| <b>Operating expenses</b>   |                  |                  |                  |                  |                 |                 |                   |
| General and administrative expenses                               | 2,552,884        | 1,039,564        | 1,095,260        | 980,676          | 646,745         | 851,506         | 770,569           |
|   | <b>2,552,884</b> | <b>1,039,564</b> | <b>1,095,260</b> | <b>980,676</b>   | <b>646,745</b>  | <b>851,506</b>  | <b>770,569</b>    |
| <b>Other expenses (revenues)</b>                                  |                  |                  |                  |                  |                 |                 |                   |
| Finance expense   | 14,663           | 21,151           | 21,579           | 22,303           | 2,271           | 2,639           | 1,816             |
| Non-receivable sales taxes  | 18,184           | 3,630            | 34,746           | 93,746           | -               | 29,011          | 11,030            |
| Change in fair value of marketable securities in a quoted company | -                | (25,156)         | 25,156           | -                | -               | -               | -                 |
| Loss on settlement of receivables                                 | -                | -                | -                | 35,937           | -               | -               | -                 |
| Gain on settlement of payables                                    | -                | -                | -                | -                | -               | -               | (76,961)          |
| Write-off of equipment  | -                | -                | 2,032            | -                | -               | -               | -                 |
| Write-off of payables   | -                | -                | -                | (32,119)         | -               | -               | -                 |
| Non cash listing costs related to the RTO <sup>(1)</sup>          | -                | -                | -                | -                | -               | -               | 13,754,103        |
| Government assistance   | (19,299)         | -                | -                | -                | -               | -               | -                 |
| Exchange (gain) loss  | 115,963          | 160,202          | (384,901)        | (54,518)         | 65,813          | 61,063          | (75,100)          |
|   | <b>129,511</b>   | <b>159,827</b>   | <b>(301,388)</b> | <b>65,349</b>    | <b>68,084</b>   | <b>92,713</b>   | <b>13,614,888</b> |
| <b>Income tax</b>   | -                | -                | -                | 62,795           | -               | -               | -                 |
| <b>Net loss</b>   | <b>2,682,395</b> | <b>1,199,391</b> | <b>793,872</b>   | <b>1,108,820</b> | <b>714,829</b>  | <b>944,219</b>  | <b>14,385,457</b> |
| <b>Other comprehensive loss (income)</b>                          |                  |                  |                  |                  |                 |                 |                   |
| Currency translation adjustment                                   | (81,522)         | (152,658)        | 287,702          | 45,904           | (64,556)        | (18,662)        | (3,814)           |
| <b>Other comprehensive loss (income) net of tax</b>               | <b>(81,522)</b>  | <b>(152,658)</b> | <b>287,702</b>   | <b>45,904</b>    | <b>(64,556)</b> | <b>(18,662)</b> | <b>(3,814)</b>    |
| <b>Net loss and comprehensive loss (income)</b>                   | <b>2,600,873</b> | <b>1,046,733</b> | <b>1,081,574</b> | <b>1,154,724</b> | <b>650,273</b>  | <b>925,557</b>  | <b>14,381,643</b> |
| <b>Net loss attributable to:</b>                                  |                  |                  |                  |                  |                 |                 |                   |
| Shareholders of Cerro de Pasco Resources Inc.                     | 2,682,395        | 1,199,391        | 793,872          | 1,108,820        | 714,829         | 944,219         | 14,385,457        |
| Non-controlling interests   | -                | -                | -                | -                | -               | -               | -                 |
| <b>Other comprehensive loss (income) attributable to:</b>         |                  |                  |                  |                  |                 |                 |                   |
| Shareholders of Cerro de Pasco Resources Inc.                     | (81,522)         | (152,658)        | 287,702          | 45,904           | (64,556)        | (18,662)        | (3,814)           |
| Non-controlling interests   | -                | -                | -                | -                | -               | -               | -                 |
| <b>Basic and diluted loss per share:</b>                          | <b>0.01</b>      | <b>0.01</b>      | <b>0.00</b>      | <b>0.00</b>      | <b>0.00</b>     | <b>0.00</b>     | <b>0.06</b>       |

<sup>(1)</sup> See Note 6 in the audited annual consolidated financial statements for the year ended December 31, 2019.

|  | 2020      |           |           |           | 2019      |           | 2018      |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | Q3        | Q2        | Q1        | Q4        | Q3        | Q2        | Q4        |
|  | \$        | \$        | \$        | \$        | \$        | \$        | \$        |
| <b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b> |           |           |           |           |           |           |           |
| Cash and cash equivalents                            | 779,108   | 681,802   | 609,674   | 275,466   | 1,132,065 | 2,092,619 | 1,349,140 |
| Property and equipment                               | 58,515    | 65,335    | 74,642    | 67,953    | 60,636    | 21,529    | 22,886    |
| Mining properties                                    | 1,427,404 | 1,458,330 | 1,518,148 | 1,389,843 | 1,078,910 | 1,066,201 | 1,110,343 |
| Exploration and evaluation assets                    | 192,230   | 481,083   | 204,450   | 187,171   | 190,846   | 188,598   | 196,406   |
| Total assets   | 2,919,297 | 3,167,570 | 2,804,974 | 2,329,583 | 2,883,841 | 3,694,929 | 2,954,032 |
| Total current liabilities                            | 1,417,584 | 1,583,927 | 1,553,699 | 884,578   | 286,272   | 448,851   | 565,295   |
| Equity   | 1,443,353 | 1,506,391 | 1,174,555 | 1,304,976 | 2,594,318 | 3,244,592 | 2,391,302 |

The net loss of \$2,682,395 for Q3-2020 is attributable to general and administrative expenses of \$2,552,884.

The net loss of \$1,199,391 for Q2-2020 is attributable to general and administrative expenses of \$1,039,564.

The net loss of \$793,872 for Q1-2020 is attributable to general and administrative expenses of \$1,095,260 combined with an exchange gain \$384,901.

The net loss of \$1,108,820 for Q4-2019 is attributable to general and administrative expenses of \$980,676.

The net loss of \$714,829 for Q3-2019 is attributable to general and administrative expenses of \$646,745.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The net loss of \$944,219 for Q2-2019 is attributable to general and administrative expenses of \$851,506.

The net loss of \$2,330,496 for Q1-2019 is mostly attributable to the grant of 5,450,000 share options to directors, officers, consultants and an employee which the fair value was estimated at \$1,337,905.

The net loss of \$14,385,457 for Q4-2018 is attributable to listing costs expenses of \$13,754,103 related to the RTO of October 5, 2018.

### **Results of operations for the three-month period ended September 30, 2020**

#### ***Net loss***

The basic and diluted loss per share for the three-month period ended September 30, 2020 is \$0.01 as compared to \$0.00 for the three-month period ended September 30, 2019.

During the three-month period ended September 30, 2020, the Company realized a net loss of \$2,682,395 as compared to a net loss of \$714,829 for the three-month period ended September 30, 2019.

The increase of \$1,967,566 for the three-month period ended September 30, 2020 as compared to Q3-2019 in net loss is attributable to an increase of \$1,906,139 in operating expenses (\$2,552,884 in Q3-2020 compared to \$646,745 in Q3-2019).

#### ***Operating expenses***

During the three-month period ended September 30, 2020, operating expenses were \$2,402,884 as compared to \$646,745 for the three-month period ended September 30, 2019.

The increase of \$1,906,139 for the three-month period ended September 30, 2020 as compared to Q3-2019 in operating expenses is attributable to an increase of \$779,163 in management and consulting fees (\$1,064,469 in Q3-2020 compared to \$285,306 in Q3-2019) combined with an increase of \$835,650 in share-based compensation expense (\$835,650 in Q3-2020 compared to \$Nil in Q3-2019) and an increase in business development expense of \$194,846 (\$248,197 in Q3-2020 compared to \$53,351 in Q3-2019).

#### ***Other expenses (revenues)***

During the three-month period ended September 30, 2020, the other expenses were \$129,511 as compared to other expenses of \$68,084 for the three-month period ended September 30, 2019.

The increase of \$61,427 in other expenses for the three-month period ended September 30, 2020 as compared to Q3-2019 is attributable to an increase in exchange loss of \$50,150 (\$115,963 in exchange loss for the three-month period ended September 30, 2020 as compared to \$65,813 in exchange loss for the three-month period ended September 30, 2019).

### **Results of operations for the nine-month period ended September 30, 2020**

#### ***Net loss***

The basic and diluted loss per share for the nine-month period ended September 30, 2020 is \$0.02 as compared to \$0.02 for the nine-month period ended September 30, 2019.

During the nine-month period ended September 30, 2020, the Company realized a net loss of \$4,675,658 as compared to a net loss of \$3,989,545 for the nine-month period ended September 30, 2019.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The increase of \$686,113 for the nine-month period ended September 30, 2020 as compared to the nine-month period ended September 30, 2019 in net loss is attributable to an increase of \$874,587 in operating expenses (\$4,687,708 for the nine-month period ended September 30, 2020 compared to \$3,813,121 for the nine-month period ended September 30, 2019).

### ***Operating expenses***

During the nine-month period ended September 30, 2020, operating expenses were \$4,687,708 as compared to \$3,813,121 for the nine-month period ended September 30, 2019.

The increase of \$874,587 for the nine-month period ended September 30, 2020 as compared to 2019 in operating expenses is attributable to an increase of \$1,056,657 in management and consulting fees (\$2,033,708 for the nine-month period ended September 30, 2020 compared to \$977,051 for the nine-month period ended September 30, 2019) combined with an increase of \$222,878 in business development expense (\$664,445 for the nine-month period ended September 30, 2020 compared to \$441,567 for the nine-month period ended September 30, 2019) and a decrease of \$502,255 in share-based compensation expense (\$835,650 for the nine-month period ended September 30, 2020 compared to \$1,337,905 for the nine-month period ended September 30, 2019).

### ***Other expenses (revenues)***

During the nine-month period ended September 30, 2020, the other revenues were \$12,050 as compared to other expenses of \$176,424 for the nine-month period ended September 30, 2019.

The significant decrease of \$188,474 in other expenses for the nine-month period ended September 30, 2020 as compared to 2019 is attributable to an increase in exchange gain of \$241,239 (\$108,736 in exchange gain for the nine-month period ended September 30, 2020 as compared to \$132,503 in exchange loss for the nine-month period ended September 30, 2019).

## **CASH FLOWS**

### **Cash flows used for operating activities**

Cash flows used for operating activities were \$3,204,323 during the nine-month period ended September 30, 2020, an increase of \$289,588 as compared to cash flows used for operating activities of \$2,914,735 during the nine-month period ended September 30, 2019. The increase of \$289,588 in cash flows used for operating activities is mostly explained by an increase of \$1,171,838 in cash flows used for operating activities before changes in working capital (negative cash flows of \$3,641,779 for the nine-month period ended September 30, 2020 as compared to negative cash flows of \$2,469,941 for the nine-month period ended September 30, 2019) combined with an increase of \$882,250 in cash flows from change in working capital items (positive cash flows of \$437,456 for the nine-month period ended September 30, 2020 as compared to negative cash flows of \$444,794 for the nine month period ended September 30, 2019).

### **Cash flows from financing activities**

Cash flows from financing activities were \$3,899,690 during the nine-month period ended September 30, 2020, an increase of \$1,253,450 as compared to cash flows of \$2,646,240 from financing activities during the nine-month period ended September 30, 2019.

The increase of \$1,253,450 is mostly attributable to an increase of \$1,323,067 of the proceeds from warrants exercised and private placements (\$3,991,399 for the nine-month period ended September 30, 2020 as compared to \$2,668,332 for the nine-month period ended September 30, 2019).

### **Cash flows used for investing activities**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Cash flows used for investing activities were \$110,861 (acquisition of property and equipment and mining property) during the nine-month period ended September 30, 2020, an increase of \$67,229 as compared to cash flows of \$43,632 used for investing activities during the nine-month period ended September 30, 2019 (acquisition of property and equipment).

## OTHER FINANCIAL DISCLOSURES

### Related party transactions

Please refer to Note 14 of the condensed interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2020, for a summary of the Company's transactions with related parties.

### Contingency

Please refer to Note 18 of the condensed interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2020, for a summary of the Company's commitments.

### Subsequent events

Please refer to Note 19 of the condensed interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2020, for a summary of the Company's subsequent events.

### Off-financial position arrangements

As at September 30, 2020, the Company had no off-financial position arrangements.

### Going concern assumption

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 nine-month period ended September 30, 2020, the Company recorded a net loss of \$4,675,658 (\$3,989,545 for the nine-month period ended September 30, 2019) and has an accumulated deficit of \$27,187,331 as at September 30, 2020 (\$22,511,673 as at December 31, 2019). 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 September 30, 2020, the Company had a negative working capital of \$238,237 (a negative working capital of \$340,142 as at December 31, 2019) consisting of cash and cash equivalents of \$779,108 (\$275,466 as at December 31, 2019). 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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 nine-month period ended September 30, 2020, the Company has raised \$3,991,399 from warrants exercised and private placements consisting of common shares to fund exploration works and working capital (\$2,668,332 during the year ended December 31, 2019). 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.

### **Capital management policies and procedures**

The Company's capital management objectives are to ensure its ability to continue as a going concern and to maximize the return of its shareholders. The Company's definition of capital includes all components of equity. Capital for the reporting periods under review is summarized in Note 16 and in the condensed interim consolidated statement of changes in equity in the condensed interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2020. In order to meet its objectives, 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.

### **Disclosure of outstanding share data**

The following selected financial information is derived from our unaudited financial statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CERRO DE PASCO RESOURCES INC.

Disclosure of outstanding share data (as at November 25, 2020)

Outstanding common shares: 266,340,294

Outstanding share options: 10,368,500  
Average exercise price of: \$0.400  
Average remaining life of: 3.85 years

| Expiry date       | Number            | Exercise price<br>\$ | Remaining life<br>(years) |
|-------------------|-------------------|----------------------|---------------------------|
| December 31, 2022 | 218,500           | 0.40                 | 2.10                      |
| August 19, 2023   | 200,000           | 0.40                 | 2.73                      |
| August 28, 2023   | 200,000           | 0.40                 | 2.75                      |
| March 7, 2024     | 5,400,000         | 0.40                 | 3.28                      |
| March 29, 2024    | 50,000            | 0.40                 | 3.34                      |
| August 28, 2025   | 4,300,000         | 0.40                 | 4.76                      |
|                   | <u>10,368,500</u> |                      |                           |

Outstanding warrants: 19,388,938  
Average exercise price of: \$0.483  
Average remaining life of: 1.07 years

| Expiry date       | Number            | Exercise price<br>\$ | Remaining life<br>(years) |
|-------------------|-------------------|----------------------|---------------------------|
| December 17, 2020 | 716,000           | 0.40                 | 0.06                      |
| December 21, 2020 | 5,857,640         | 0.40                 | 0.07                      |
| February 28, 2022 | 1,300,210         | 0.65                 | 1.26                      |
| March 6, 2022     | 1,080,500         | 0.65                 | 1.28                      |
| June 15, 2022     | 3,711,090         | 0.50                 | 1.55                      |
| June 16, 2022     | 200,000           | 0.50                 | 1.56                      |
| July 2, 2022      | 1,812,034         | 0.50                 | 1.60                      |
| August 21, 2022   | 1,128,130         | 0.50                 | 1.74                      |
| August 28, 2022   | 250,000           | 0.365                | 1.75                      |
| August 28, 2022   | 3,333,334         | 0.50                 | 1.75                      |
|                   | <u>19,388,938</u> |                      |                           |

## RISK AND UNCERTAINTIES

Cerro de Pasco Resources is subject to a variety of risks, some of which are described below. If any of the following risks occur, the business, results of operations or financial condition could be adversely affected in a material manner.

### Financial instrument risks

Please refer to Note 17 of the condensed interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2020 for a summary of the Company's financial instruments risks.

### COVID-19

The COVID-19 pandemic is causing significant financial market and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. The Company continues assess the impact COVID-19 will have on its business activities. The extent of the effect of the COVID-19 pandemic on the Company is uncertain.

### Certain Risks associated with the Quiulacocha Tailings and Excelsior Stockpile

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Cerro de Pasco Resources will be solely focused on the exploration and development of the Property. Cerro de Pasco has initiated negotiations with local stakeholders for gaining access to a portion of the surface lands that Cerro de Pasco Resources will require for processing the tailings, dumps and slag to which Cerro de Pasco's "El Metalurgista" concession entitles it to. It is the intention of Cerro de Pasco Resources to pursue the negotiations and reach an agreement with local stakeholders. There is however no guarantee that such an agreement will be reached. Unless Cerro de Pasco Resources acquires additional property interests, any adverse developments affecting the Property could have a material adverse effect upon Cerro de Pasco Resources and would materially and adversely affect any profitability, financial performance and results of operations of Cerro de Pasco Resources.

## Exploration and mining risks

The Company is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. The Company's property interests are in the exploration and evaluation stage only. The business of mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into production. Currently, there are no known bodies of commercial ore on the mineral properties of which the Company owns an interest. Accordingly, there is little likelihood that the Company will realize any profits in the short to medium term. Any profitability in the future from the Company's business will be dependent upon locating an economic deposit of minerals. However, there can be no assurance, even if an economic deposit of minerals is located, that it can be commercially mined.

Unusual or unexpected formations, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs.

The economics of developing mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties, nor any known body of commercial ore. Programs conducted on the Company's mineral property would be an exploratory search for ore.

## Titles to property

While the Company has diligently investigated title to the various properties in which it has interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

## Permits and licenses

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

## Metal prices

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

## Competition

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

## **Environmental regulations**

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

## **Conflicts of interest**

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

## **Stage of development**

The Company's properties are in the exploration stage and to date none of them have a proven ore body. The Company does not have a history of earnings or providing a return on investment, and in future, there is no assurance that it will produce revenue, operate profitably or provide a return on investment.

## **Industry conditions**

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

## **Uninsured risks**

The Company's business is subject to a number of risks and hazards, including environmental conditions adverse, environmental regulations, political uncertainties, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

## Capital needs

The exploration and evaluation, development, mining and processing of the Company's properties may require substantial additional financing. The only current source of future funds available to the Company is the sale of additional equity capital and the borrowings of funds. There is no assurance that such funding will be available to the Company or that it will be obtained on terms favourable to the Company or will provide the Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial position.

In addition, any future equity financings by the Company may result in a substantial dilution of the existing shareholders. Failure to obtain sufficient financing may result in delaying or indefinite postponement of further exploration and evaluation, development or production on any or all of the Company's properties or even a loss of property interest.

## Key employees

Management of the Company rests on a few key officers and members of the Board of Directors, the loss of any of whom could have a detrimental effect on its operations. The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

## Canada Customs and Revenue Agency

No assurance can be made that Canada Customs and Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses or the eligibility of such expenses as Canadian exploration expenses under the *Income Tax Act* (Canada).

## CERTIFICATION OF INTERIM FILINGS

The President and Chief Executive Officer and the Chief Financial Officer have signed the Basic Certifications of Interim Filings as required by National Instrument 52-109 for venture issuer, thus confirming, the review, the absence of misrepresentations and the fair presentation of the interim filings.

- The President and Chief Executive Officer and the Chief Financial Officer confirm to have reviewed the interim financial report and the interim MD&A (together, the "interim filings") of the Company for the three-month period ended September 30, 2020.
- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.
- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the period presented in the interim filings.