



CERRO DE PASCO RESOURCES INC.

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

Three-month periods ended
March 31, 2021 and 2020

CERRO DE PASCO RESOURCES INC.
Condensed Interim Consolidated Financial Statements
Three-month periods ended March 31, 2021 and 2020

Condensed Interim Consolidated Financial Statements

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CERRO DE PASCO RESOURCES INC.

Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2021 and December 31, 2020

(in Canadian dollars)

| | Note | March 31 2021 | December 31 2020 |
|---|--------|--------------------|---------------------|
| | | \$ | \$ |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | 5 & 18 | 25,255 | 897,979 |
| Short-term investments | | 15,000 | 15,000 |
| Marketable securities in a quoted company | | 129,372 | 136,560 |
| Other receivables | 6 | 216,325 | 112,009 |
| Prepaid expenses | | 145,476 | 137,139 |
| Total current assets | | 531,428 | 1,298,687 |
| Non-current assets: | | | |
| Property and equipment | | 47,156 | 52,463 |
| Right-of-use assets | | 13,540 | 41,506 |
| Mining properties | | 1,345,648 | 1,362,449 |
| Exploration and evaluation assets | | 181,220 | 183,482 |
| Total non-current assets | | 1,587,564 | 1,639,900 |
| Total assets | | 2,118,992 | 2,938,587 |
| Liabilities and Shareholders' Equity (Deficiency) | | | |
| Current liabilities: | | | |
| Trade accounts payable and other liabilities | 7 | 3,140,748 | 2,818,581 |
| Lease liabilities | 8 | 41,147 | 52,811 |
| Convertible debenture | 8 | 864,559 | 813,249 |
| Embedded derivative on convertible debenture | 8 | 41,804 | 38,465 |
| Total current liabilities | | 4,088,258 | 3,723,106 |
| Non-current liabilities: | | | |
| Loan | 8 | 23,478 | 22,683 |
| Warrants | 8 | 67,598 | 100,559 |
| Deferred income tax | | 67,026 | 67,863 |
| Total non-current liabilities | | 158,102 | 191,105 |
| Total liabilities | | 4,246,360 | 3,914,211 |
| Equity (deficiency): | | | |
| Share capital | 9 | 25,386,532 | 25,356,132 |
| Warrants | 9 | 716,811 | 716,811 |
| Share options | 10 | 1,948,137 | 1,929,737 |
| Contributed surplus | | 749,130 | 749,130 |
| Deficit | | (31,232,210) | (29,957,648) |
| Accumulated other comprehensive income | | 304,232 | 230,214 |
| Total shareholders' equity (deficiency) attributable to owners of the parent company | | (2,127,368) | (975,624) |
| Non-controlling interest | | - | - |
| Total shareholders' equity (deficiency) | | (2,127,368) | (975,624) |
| Total liabilities and shareholders' equity (deficiency) | | 2,118,992 | 2,938,587 |

Going concern, see Note 2.

Subsequent events, see Note 18.

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 May 28, 2021.

(S) John Booth

Director

(S) Steven Zadka

Director

CERRO DE PASCO RESOURCES INC.

Condensed Interim Consolidated Statements of Comprehensive Loss

Three-month periods ended March 31, 2021 and 2020

(in Canadian dollars)

| | Note | Three-month period ended March 31 2021 \$ | March 31 2020 \$ |
|---|------|--|------------------------|
| Expenses: | | | |
| General and administrative expenses | 11 | 1,182,888 | 1,095,260 |
| Operating loss before other expenses (revenues) and income tax | | 1,182,888 | 1,095,260 |
| Other expenses (revenues): | | | |
| Finance expenses | | 82,734 | 21,579 |
| Non-recoverable sales taxes | | (2,473) | 34,746 |
| Change in fair value of marketable securities in a quoted company | | 7,188 | 25,156 |
| Change in fair value of warrants and embedded derivative on convertible debenture | | (29,622) | - |
| Write-off of equipment | | - | 2,032 |
| Exchange loss (gain) | | 33,847 | (384,901) |
| | | 91,674 | (301,388) |
| Loss before income taxes | | 1,274,562 | 793,872 |
| Income taxes recovery | | - | - |
| Net loss | | 1,274,562 | 793,872 |
| Other comprehensive (income) loss | | | |
| Currency translation adjustment | | (74,018) | 287,702 |
| Other comprehensive (income) loss net of tax | | (74,018) | 287,702 |
| Total comprehensive loss | | 1,200,544 | 1,081,574 |
| Net loss attributable to: | | | |
| Shareholders of Cerro de Pasco Resources Inc. | | 1,274,562 | 793,872 |
| Non-controlling interests | | - | - |
| | | 1,274,562 | 793,872 |
| Other comprehensive (income) loss attributable to: | | | |
| Shareholders of Cerro de Pasco Resources Inc. | | (74,018) | 287,702 |
| Non-controlling interest | | - | - |
| | | (74,018) | 287,702 |
| Total comprehensive loss attributable to: | | | |
| Shareholders of Cerro de Pasco Resources Inc. | | 1,200,544 | 1,081,574 |
| Non-controlling interest | | - | - |
| | | 1,200,544 | 1,081,574 |
| Weighted average number of common shares outstanding | | 266,694,738 | 254,298,080 |
| Basic and diluted loss per share: | | 0.00 | 0.00 |

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

CERRO DE PASCO RESOURCES INC.

Condensed Interim Consolidated Statements of Changes in Equity

Three-month periods ended March 31, 2021 and 2020

(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 (deficiency) |
|--|------|------------------------------|---------------|----------|---------------|---------------------|--------------|---|--|--------------------------|---------------------------|
| | | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance as at December 31 2020 | | 266,636,294 | 25,356,132 | 716,811 | 1,929,737 | 749,130 | (29,957,648) | 230,214 | (975,624) | - | (975,624) |
| Shares and units issued: | | | | | | | | | | | |
| As payment of consulting fees | 9 | 80,000 | 30,400 | | | | | | 30,400 | - | 30,400 |
| Share options granted | | | | | 18,400 | | | | 18,400 | - | 18,400 |
| Transactions with owners | | 80,000 | 30,400 | - | 18,400 | - | - | - | 48,800 | - | 48,800 |
| Net loss and comprehensive income for the period | | | | | | | (1,274,562) | 74,018 | (1,200,544) | - | (1,200,544) |
| Balance as at March 31 2021 | | 266,716,294 | 25,386,532 | 716,811 | 1,948,137 | 749,130 | (31,232,210) | 304,232 | (2,127,368) | - | (2,127,368) |
| Balance as at December 31 2019 | | 253,532,206 | 21,888,502 | 414,887 | 1,094,087 | 355,077 | (22,511,673) | 64,096 | 1,304,976 | - | 1,304,976 |
| Shares and units issued: | | | | | | | | | | | |
| Private placements | 9 | 2,343,500 | 797,693 | 139,707 | | | | | 937,400 | - | 937,400 |
| As payment of consulting fees | 9 | 30,000 | 9,900 | | | | | | 9,900 | - | 9,900 |
| Share issuance costs | | | (22,547) | 2,400 | | | | | (20,147) | - | (20,147) |
| Warrants exercised | | 60,000 | 27,709 | (3,709) | | | | | 24,000 | - | 24,000 |
| Transactions with owners | | 2,433,500 | 812,755 | 138,398 | - | - | - | - | 951,153 | - | 951,153 |
| Net loss and comprehensive loss for the period | | | | | | | (793,872) | (287,702) | (1,081,574) | - | (1,081,574) |
| Balance as at March 31 2020 | | 255,965,706 | 22,701,257 | 553,285 | 1,094,087 | 355,077 | (23,305,545) | (223,606) | 1,174,555 | - | 1,174,555 |

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

CERRO DE PASCO RESOURCES INC.

Condensed Interim Consolidated Statements of Cash Flows

Three-month periods ended March 31, 2021 and 2020

(in Canadian dollars)

| | Note | Three-month period ended | |
|---|------|--------------------------|------------------|
| | | March 31 2021 | March 31 2020 |
| | | \$ | \$ |
| Operating activities: | | | |
| Net loss | | (1,274,562) | (793,872) |
| Adjustments for: | | | |
| Consulting fees paid through issuance of shares | | 30,400 | 9,900 |
| Share-based compensation | | 18,400 | - |
| Unrealized exchange loss | | - | 26,040 |
| Change in fair value of marketable securities in a quoted company | | 7,188 | 25,156 |
| Change in fair value of warrants and embedded derivative on convertible debenture | | (29,622) | - |
| Write-off of equipment | | - | 2,032 |
| Interest on lease liabilities | | 1,067 | 5,270 |
| Interest on promissory note | | - | 7,556 |
| Effective interest on loan | | 795 | - |
| Presumed interest on convertible debenture | | 51,310 | - |
| Depreciation of right-of-use assets | | 27,681 | 28,408 |
| Depreciation of property and equipment | | 4,809 | 6,098 |
| Operating activities before changes in working capital items | | (1,162,534) | (683,412) |
| Change in other receivables | | (104,888) | (46,926) |
| Change in prepaid expenses | | (8,828) | 18,495 |
| Change in trade accounts payable and accrued liabilities | | 383,256 | 164,497 |
| Change in income tax payable | | - | (993) |
| Change in working capital items | | 269,540 | 135,073 |
| Cash flows used for operating activities | | (892,994) | (548,339) |
| Financing activities: | | | |
| Proceeds from private placements | 9 | - | 937,400 |
| Proceeds from warrants exercised | 9 | - | 24,000 |
| Proceeds from promissory note | | - | 399,570 |
| Capital lease repayments | | - | (588) |
| Lease liabilities repayments | | (11,093) | (27,805) |
| Interest paid on lease liabilities | | (1,067) | (5,270) |
| Share issuance costs | 9 | - | (14,984) |
| Cash flows from financing activities | | (12,160) | 1,312,323 |
| Investing activities: | | | |
| Acquisition of equipment | | - | (10,124) |
| Acquisition of mining property | | (37,104) | (44,066) |
| Cash flows used for investing activities | | (37,104) | (54,190) |
| Net change in cash and cash equivalents | | (942,258) | 709,794 |
| Cash and cash equivalents, beginning of period | | 897,979 | 275,466 |
| Effect of exchange rate fluctuations on cash held in foreign currencies | | 69,534 | (375,586) |
| Cash and cash equivalents, end of period | | 25,255 | 609,674 |
| Interest paid | | 1,064 | 5,335 |

Additional disclosures of cash flows information (Note 12).

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

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

Three-month periods ended March 31, 2021 and 2020

(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)*.

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. The Company is trading on the Canadian Securities Exchange (CSE) under symbol "CDPR".

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 three-month period ended March 31, 2021, the Company recorded a net loss of \$1,274,562 (\$793,872 for the three-month period ended March 31, 2020) and has an accumulated deficit of \$31,232,210 as at March 31, 2021 (\$29,957,648 as at December 31, 2020). 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 March 31, 2021, the Company had a negative working capital of \$3,556,830 (a negative working capital of \$2,424,419 as at December 31, 2020) consisting of cash and cash equivalents of \$25,255 (\$897,979 as at December 31, 2020). 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 three-month period ended March 31, 2021, the Company has raised no funds from private placements to finance its exploration works and working capital (\$2,668,332 funds raised from warrants exercised and private placements during the year ended December 31, 2020). 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 (see Note 18 - Subsequent events).

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, 2020.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2021 and 2020

(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 Reporting global event:

During the year ended December 31, 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.

3.4 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% |

3.5 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.

3.6 Use of estimates and judgements:

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 3.6 of the annual audited consolidated financial statements of the Company as at December 31, 2020.

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, 2020.

4.1 Adoption of new accounting standard:

There were no adoption of new accounting policy in preparing the condensed interim financial statements as at March 31, 2021.

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, 2020, the IASB and IFRIC have issued no additional new and revised standards and interpretations which are applicable to the Company.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2021 and 2020

(in Canadian dollars)

5. Cash and cash equivalents:

| | March 31 2021 | December 31 2020 |
|---------------|------------------|---------------------|
| | \$ | \$ |
| Cash | 21,842 | 895,518 |
| Cash in trust | 3,413 | 2,461 |
| | 25,255 | 897,979 |

6. Other receivables:

| | March 31 2021 | December 31 2020 |
|--|------------------|---------------------|
| | \$ | \$ |
| Sales tax receivable ⁽¹⁾ | 113,862 | 67,264 |
| Other receivable | | |
| Amount receivable from Genius Metals Inc. / Professional Fee Sharing | 36,096 | 23,530 |
| Others | 66,367 | 21,215 |
| | 216,325 | 112,009 |

(1) Sales tax receivable includes only receivables in Canada.

7. Trade accounts payable and other liabilities:

Trade accounts payable and other liabilities recognized in the consolidated statements of financial position can be analyzed as follows:

| | March 31 2021 | December 31 2020 |
|------------------------|------------------|---------------------|
| | \$ | \$ |
| Current | | |
| Trade accounts payable | 1,261,206 | 988,653 |
| Accrued liabilities | 1,879,542 | 1,829,928 |
| | 3,140,748 | 2,818,581 |

At March 31, 2021, the accrued liabilities include an amount of \$13,182 (\$50,645 as at December 31, 2020) relating to agreements with the communities. This amount does not bear interest and must be paid before May 2021.

Trade accounts payable and other liabilities recognized in the consolidated statements of financial position can be analyzed as follows:

| | March 31 2021 | December 31 2020 |
|---|------------------|---------------------|
| | \$ | \$ |
| Trade accounts payable and accrued liabilities: | | |
| To directors | 74,603 | 59,910 |
| To officers | 404,983 | 406,578 |
| Other | 1,202,031 | 1,099,526 |
| Source deductions and contributions | 1,459,131 | 1,252,567 |
| | 3,140,748 | 2,818,581 |

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2021 and 2020

(in Canadian dollars)

8. Reconciliation of liabilities arising from financing activities:

The changes in the liabilities arising from financing activities are classified as follows:

| | Obligation under capital lease | Lease liabilities | Promissory note | Loan | Convertible debentures | Embedded derivative on convertible debenture | Warrants | Total |
|--------------------------------|---|----------------------|--------------------|--------|---------------------------|---|----------|-----------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance as at December 31 2020 | - | 52,811 | - | 22,683 | 813,249 | 38,465 | 100,559 | 1,027,767 |
| Cash flows: | | | | | | | | |
| Repayment | - | (11,093) | - | - | - | - | - | (11,093) |
| Exchange | - | (571) | - | - | - | - | - | (571) |
| Non-cash: | | | | | | | | |
| Effective interest on loan | - | - | - | 795 | 51,310 | - | - | 52,105 |
| Change in fair value | - | - | - | - | - | 3,339 | (32,961) | (29,622) |
| Balance as at March 31, 2021 | - | 41,147 | - | 23,478 | 864,559 | 41,804 | 67,598 | 1,038,586 |

| | Obligation under capital lease | Lease liabilities | Promissory note | Loan | Convertible debentures | Embedded derivative on convertible debenture | Warrants | Total |
|--|---|----------------------|--------------------|---------|---------------------------|---|----------|-----------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance as at December 31, 2019 | 2,676 | 174,764 | - | - | - | - | - | 177,440 |
| Cash flows: | | | | | | | | |
| Proceeds | - | - | 399,570 | 30,000 | 1,000,000 | - | - | 1,429,570 |
| Repayment | (2,676) | (82,450) | (399,570) | - | - | - | - | (484,696) |
| Transaction costs | - | - | - | - | (57,505) | (2,659) | (9,009) | (69,173) |
| Gain on Covid-19 related rent concessions | - | (39,862) | - | - | - | - | - | (39,862) |
| Exchange | - | 359 | - | - | - | - | - | 359 |
| Non-cash: | | | | | | | | |
| Effective interest on loan | - | - | - | (7,317) | 39,422 | - | - | 32,105 |
| Fair value - Initial | - | - | - | - | (168,668) | 38,434 | 130,234 | - |
| Change in fair value | - | - | - | - | - | 2,690 | (20,666) | (17,976) |
| Balance as at December 31 2020 | - | 52,811 | - | 22,683 | 813,249 | 38,465 | 100,559 | 1,027,767 |

9. 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:

2021:

On January 7, 2021, the Company issued to service providers 50,000 common shares valued at \$19,000 for business development consultancy and consulting fees.

On February 22, 2021, the Company issued to service providers 30,000 common shares valued at \$11,400 for business development consultancy and consulting fees.

2020:

On February 28, 2020, the Company concluded a private placement by issuing 1,291,000 units at a price of \$0.40 per unit for net proceeds of \$509,173 after deducting share issuance costs of \$7,227. A commission of \$3,684 was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 1,291,000 common shares and 1,291,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.65 until February 28, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$77,413 based on the Black-Scholes option pricing model using the assumptions described below (Note 9 (c)). As part of this private placement, the Company also issued a total of 9,210 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.65 per share until February 28, 2022. These warrants have been recorded at a value of \$601 based on the Black-Scholes option pricing model using the assumptions described below (Note 9 (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 \$7,828 including the fair value of the broker warrants of \$601.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2021 and 2020

(in Canadian dollars)

9. Share capital and warrants (continued):

(b) Issued and outstanding (continued):

2020 (continued):

On March 6, 2020, the Company concluded a private placement by issuing 1,052,500 units at a price of \$0.40 per unit for net proceeds of \$407,141 after deducting share issuance costs of \$13,859. A commission of \$11,300 was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 1,052,500 common shares and 1,052,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.65 until March 28, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$62,294 based on the Black-Scholes option pricing model using the assumptions described below (Note 9 (c)). As part of this private placement, the Company also issued a total of 28,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.65 per share until March 6, 2022. These warrants have been recorded at a value of \$1,799 based on the Black-Scholes option pricing model using the assumptions described below (Note 9 (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 \$15,658 including the fair value of the broker warrants of \$1,799.

On March 30, 2020, the Company issued to service providers 30,000 common shares valued at \$9,900 for business development consultancy.

On May 15, 2020, the Company issued to service providers 30,000 common shares valued at \$9,000 for business development consultancy.

On June 15, 2020, the Company concluded a private placement by issuing 3,626,500 units at a price of \$0.30 per unit for net proceeds of \$1,075,420 after deducting share issuance costs of \$12,530. A commission of \$6,060 was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 3,626,500 common shares and 3,626,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until June 15, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$182,374 based on the Black-Scholes option pricing model using the assumptions described below (Note 9 (c)). As part of this private placement, the Company also issued a total of 84,590 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.50 per share until June 15, 2022. These warrants have been recorded at a value of \$5,111 based on the Black-Scholes option pricing model using the assumptions described below (Note 9 (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 \$17,641 including the fair value of the broker warrants of \$5,111.

On June 15, 2020, the Company issued to service providers 84,590 common shares valued at \$25,377 for business development consultancy.

On June 16, 2020, the Company concluded a private placement by issuing 200,000 units at a price of \$0.30 per unit for net proceeds of \$60,000 after deducting share issuance costs of \$Nil. No commission was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 200,000 common shares and 200,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until June 16, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$11,627 based on the Black-Scholes option pricing model using the assumptions described below (Note 9 (c)).

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 net proceeds of \$532,504 after deducting share issuance costs of \$11,106. A commission of \$5,994 was paid in connection with this private placement. 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. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$98,707 based on the Black-Scholes option pricing model using the assumptions described below (Note 9 (c)).

On August 19, 2020, the Company issued to service providers 130,000 common shares valued at \$42,900 for business development consultancy and consulting fees.

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 net proceeds of \$337,295 after deducting share issuance costs of \$1,145. No commission was paid in connection with this private placement. 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. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$57,107 based on the Black-Scholes option pricing model using the assumptions described below (Note 9 (c)).

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2021 and 2020

(in Canadian dollars)

9. Share capital and warrants (continued):

(b) Issued and outstanding (continued):

2020 (continued):

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 net proceeds of \$999,198 after deducting share issuance costs of \$802. No commission was paid in connection with this private placement. 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. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$188,936 based on the Black-Scholes option pricing model using the assumptions described below (Note 9 (c)). As part of this private placement, the Company also issued a total of 250,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.365 per share until August 28, 2022. These warrants have been recorded at a value of \$30,842 based on the Black-Scholes option pricing model using the assumptions described below (Note 9 (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 \$31,644 including the fair value of the broker warrants of \$30,842.

On November 16, 2020, the Company issued to service providers 30,000 common shares valued at \$11,550 for business development consultancy and consulting fees.

On December 10, 2020, the Company issued to service providers 50,000 common shares valued at \$21,750 for business development consultancy and consulting fees.

(c) Warrants:

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

| | March 31 2021 | | December 31 2020 | |
|--------------------------|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
| | Number of outstanding warrants | Weighted average exercise price | Number of outstanding warrants | Weighted average exercise price |
| | | \$ | | \$ |
| Outstanding at beginning | 14,672,441 | 0.53 | 6,633,640 | 0.40 |
| Granted | - | - | 14,672,441 | 0.53 |
| Exercised | - | - | (306,000) | 0.40 |
| Expired | - | - | (6,327,640) | 0.40 |
| Outstanding at end | 14,672,441 | 0.53 | 14,672,441 | 0.53 |

The following table provides outstanding warrants information as at March 31, 2021:

| | Outstanding warrants | | |
|-------------------|--------------------------------------|-------------------|-------------------|
| Expiry date | Number of outstanding warrants | Exercise price | Remaining life |
| | | \$ | (years) |
| February 28, 2022 | 1,300,210 | 0.65 | 0.9 |
| March 6, 2022 | 1,080,500 | 0.65 | 0.9 |
| June 15, 2022 | 3,711,090 | 0.50 | 1.2 |
| June 16, 2022 | 200,000 | 0.50 | 1.2 |
| July 2, 2022 | 1,812,034 | 0.50 | 1.3 |
| August 21, 2022 | 1,128,130 | 0.50 | 1.4 |
| August 28, 2022 | 3,333,334 | 0.50 | 1.4 |
| August 28, 2022 | 250,000 | 0.365 | 1.4 |
| October 15, 2022 | 1,857,143 | 0.60 | 1.5 |
| | 14,672,441 | 0.53 | 1.3 |

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2021 and 2020

(in Canadian dollars)

9. Share capital and warrants (continued):

(c) Warrants (continued):

The following table provides outstanding warrants information as at December 31, 2020:

| Expiry date | Outstanding warrants | | |
|-------------------|--------------------------------------|-------------------------|------------------------------|
| | Number of outstanding warrants | Exercise price \$ | Remaining life (years) |
| February 28, 2022 | 1,300,210 | 0.65 | 1.2 |
| March 6, 2022 | 1,080,500 | 0.65 | 1.2 |
| June 15, 2022 | 3,711,090 | 0.50 | 1.5 |
| June 16, 2022 | 200,000 | 0.50 | 1.5 |
| July 2, 2022 | 1,812,034 | 0.50 | 1.5 |
| August 21, 2022 | 1,128,130 | 0.50 | 1.6 |
| August 28, 2022 | 3,333,334 | 0.50 | 1.7 |
| August 28, 2022 | 250,000 | 0.365 | 1.7 |
| October 15, 2022 | 1,857,143 | 0.60 | 1.8 |
| | 14,672,441 | 0.53 | 1.5 |

The following table provides the weighted average fair value of warrants granted:

| | March 31 2021 | December 31 2020 |
|---|------------------|---------------------|
| Weighted average fair value of warrants granted | \$ - | \$ 0.0577 |

The fair value of each warrant granted is estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

| | March 31 2021 | December 31 2020 |
|---|------------------|---------------------|
| Weighted average expected dividend yield | - | 0% |
| Weighted average share price at grant date | - | \$0.342 |
| Weighted average expected volatility ⁽¹⁾ | - | 62.12% |
| Weighted average risk-free interest rate | - | 0.38% |
| Weighted average exercise price at grant date | - | \$0.535 |
| Weighted average expected life | - | 2.0 years |

(1) Before June 2020, the volatility was determined as per an average of the volatility of comparable publicly traded companies and the volatility of the Company.

10. 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 three-month period ended March 31, 2021.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2021 and 2020

(in Canadian dollars)

10. 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:

| | March 31 2021 | | December 31 2020 | |
|--------------------------|---|---------------------------------------|---|---------------------------------------|
| | Number of outstanding share options | Weighted average exercise price | Number of outstanding share options | Weighted average exercise price |
| | | \$ | | \$ |
| Outstanding at beginning | 10,368,500 | 0.40 | 5,668,500 | 0.40 |
| Granted | 200,000 | 0.40 | 4,700,000 | 0.40 |
| Outstanding at end | 10,568,500 | 0.40 | 10,368,500 | 0.40 |
| Exercisable at end | 10,568,500 | 0.40 | 10,368,500 | 0.40 |

The following table provides outstanding share options information as at March 31, 2021:

| Outstanding share options | | | | |
|---------------------------|---------------------------------------|---|-------------------|-------------------|
| Expiry date | Number of granted share options | Number of exercisable share options | Exercise price | Remaining life |
| | | | \$ | (years) |
| December 31, 2022 | 218,500 | 218,500 | 0.40 | 1.8 |
| March 10, 2023 | 200,000 | 200,000 | 0.40 | 1.9 |
| March 7, 2024 | 5,400,000 | 5,400,000 | 0.40 | 2.9 |
| March 29, 2024 | 50,000 | 50,000 | 0.40 | 3.0 |
| August 19, 2023 | 200,000 | 200,000 | 0.40 | 2.4 |
| August 28, 2023 | 200,000 | 200,000 | 0.40 | 2.4 |
| August 28, 2025 | 4,300,000 | 4,300,000 | 0.40 | 4.4 |
| | 10,568,500 | 10,568,500 | 0.40 | 3.5 |

The following table provides outstanding share options information as at December 31, 2020:

| Outstanding share options | | | | |
|---------------------------|---------------------------------------|---|-------------------|-------------------|
| Expiry date | Number of granted share options | Number of exercisable share options | Exercise price | Remaining life |
| | | | \$ | (years) |
| December 31, 2022 | 218,500 | 218,500 | 0.40 | 2.0 |
| March 7, 2024 | 5,400,000 | 5,400,000 | 0.40 | 3.2 |
| March 29, 2024 | 50,000 | 50,000 | 0.40 | 3.2 |
| August 19, 2023 | 200,000 | 200,000 | 0.40 | 2.6 |
| August 28, 2023 | 200,000 | 200,000 | 0.40 | 2.7 |
| August 28, 2025 | 4,300,000 | 4,300,000 | 0.40 | 4.7 |
| | 10,368,500 | 10,368,500 | 0.40 | 3.7 |

2021:

On March 10, 2021, the Company granted 200,000 share options to consultants at an exercise price of \$0.40 per share, expiring on March 10, 2023. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.09 per share option at the grant date for a total of \$18,400 using the Black-Scholes option pricing model.

2020:

On August 19, 2020, the Company granted 200,000 share options to consultants at an exercise price of \$0.40 per share, expiring on August 19, 2023. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.11 per share option at the grant date for a total of \$21,900 using the Black-Scholes option pricing model.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2021 and 2020

(in Canadian dollars)

10. Share-based compensation (continued):

(a) Share option plan (continued):

On August 28, 2020, the Company granted 200,000 share options to consultants at an exercise price of \$0.40 per share, expiring on August 28, 2023. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.14 per share option at the grant date for a total of \$27,280 using the Black-Scholes option pricing model.

On August 28, 2020, the Company granted 4,300,000 share options to directors, officers, consultants and employees at an exercise price of \$0.40 per share, expiring on August 28, 2025. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.18 per share option at the grant date for a total of \$786,470 using the Black-Scholes option pricing model.

The following table provides the weighted average fair value of share options granted:

| | March 31 2021 | December 31 2020 |
|--|------------------|---------------------|
| | \$ | \$ |
| Weighted average fair value of share options granted | 0.0920 | 0.1778 |

The fair value of each share option granted is estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

| | March 31 2021 | December 31 2020 |
|---|------------------|---------------------|
| Weighted average expected dividend yield | 0% | 0% |
| Weighted average share price at grant date | \$0.360 | \$0.324 |
| Weighted average expected volatility ⁽¹⁾ | 52.66% | 79.55% |
| Weighted average risk-free interest rate | 0.24% | 1.69% |
| Weighted average exercise price at grant date | \$0.40 | \$0.40 |
| Weighted average expected life | 2.00 years | 4.92 years |

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

11. General and administrative expenses by nature:

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

| | Three-month period ended | |
|---|--------------------------|------------------|
| | March 31 2021 | March 31 2020 |
| | \$ | \$ |
| Selling and administrative expenses: | | |
| Salaries and employee benefit expense | 359,282 | 99,134 |
| Management and consulting fees | 387,018 | 474,931 |
| Professional fees | 114,254 | 157,856 |
| Business development | 176,307 | 238,977 |
| Rent and office expenses | 36,329 | 60,969 |
| Registration, listing fees and shareholders information | 21,784 | 12,863 |
| Project implementation cost | 37,024 | 16,024 |
| Share-based compensation | 18,400 | - |
| Depreciation of right-of-use assets | 27,681 | 28,408 |
| Depreciation of property and equipment | 4,809 | 6,098 |
| | 1,182,888 | 1,095,260 |

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2021 and 2020

(in Canadian dollars)

12. Supplemental cash flow information:

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

| | Three-month period ended | |
|--|--------------------------|------------------|
| | March 31 2021 | March 31 2020 |
| | \$ | \$ |
| Non-cash financing activities: | | |
| Shares issued as payment of consulting fees | 30,400 | 9,900 |
| Share issuance costs in trade accounts payable and accrued liabilities | - | 5,163 |
| Broker warrants issued as a finder's fee | - | 2,400 |
| Non-cash investing activities: | | |
| Property and equipment in trade accounts payable and accrued liabilities | - | 3,931 |
| Mining properties in trade accounts payable and accrued liabilities | 13,182 | 153,854 |

13. 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 | |
|--------------------------------|--------------------------|------------------|
| | March 31 2021 | March 31 2020 |
| | \$ | \$ |
| Management and consulting fees | 368,088 | 333,126 |
| Salaries and director's fees | 22,792 | 23,788 |
| | 390,880 | 356,914 |

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.

14. 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:

| | March 31 2021 | | December 31 2020 | |
|--|--------------------|---------------|---------------------|---------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Fair value through profit or loss (FVTPL) | | | | |
| Marketable securities | 129,372 | 129,372 | 136,560 | 136,560 |
| | 129,372 | 129,372 | 136,560 | 136,560 |
| Financial assets | | | | |
| Amortized cost | | | | |
| Cash and cash equivalents | 25,255 | 25,255 | 897,979 | 897,979 |
| Short-term investment | 15,000 | 15,000 | 15,000 | 15,000 |
| Other receivables (excluding sales tax receivable) | 102,463 | 102,463 | 44,745 | 44,745 |
| | 142,718 | 142,718 | 957,724 | 957,724 |

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2021 and 2020

(in Canadian dollars)

14. Financial assets and liabilities (continued):

| | March 31 2021 | | December 31 2020 | |
|--|--------------------|---------------|---------------------|---------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | \$ | \$ | \$ | \$ |
| Financial liabilities | | | | |
| Amortized cost | | | | |
| Trade accounts payable and other liabilities (excluding sources deductions & contributions) | 1,681,617 | 1,681,617 | 1,566,014 | 1,566,014 |
| Convertible debenture | 864,559 | 864,559 | 813,249 | 813,249 |
| Loan | 23,478 | 23,478 | 22,683 | 22,683 |
| Fair value through profit or loss (FVTPL) | | | | |
| Embedded derivative on convertible debenture | 41,804 | 41,804 | 38,465 | 38,465 |
| Warrants | 67,598 | 67,598 | 100,559 | 100,559 |
| | 2,679,056 | 2,679,056 | 2,540,970 | 2,540,970 |

The fair value of cash and cash equivalents, short-term investments, 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.

The fair values of the marketable securities are \$129,372 as at March 31, 2021 (\$136,560 as at December 31, 2020) and are determined by using the closing price for March 31, 2021 and December 31, 2020.

The fair values of the loan is \$23,478 as at March 31, 2021 (\$22,683 as at December 31, 2020) and is determined by using the estimated market rate that the Company would have obtained for a similar financing through the discounted cash flows method.

The fair values of the convertible debenture is \$864,559 as at March 31, 2021 (\$813,249 as at December 31, 2020) and is determined by using the estimated market rate that the Company would have obtained for a similar financing through the discounted cash flows method.

The fair values of the embedded derivative on convertible debenture is \$41,804 as at March 31, 2021 (\$38,465 as at December 31, 2020) and is determined by using the estimated market rate that the Company would have obtained for a similar financing through the discounted cash flows method.

The fair values of the warrants are \$67,598 as at March 31, 2021 (\$100,559 as at December 31, 2020) and are determined by using the Black-Scholes option pricing model for March 31, 2021 and December 31, 2020.

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 loan and the convertible debenture were classified under level 2 in 2020.

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

| | March 31 2021 | | |
|---|------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| | \$ | \$ | \$ |
| Marketable securities | | | |
| Fair value through profit or loss (FVTPL) | 129,372 | - | - |
| Convertible debenture | | | |
| Amortized cost | - | 864,559 | - |
| Embedded derivative on convertible debenture | | | |
| Fair value through profit or loss (FVTPL) | - | 41,804 | - |
| Loan | | | |
| Amortized cost | - | 23,478 | - |
| Warrants | | | |
| Fair value through profit or loss (FVTPL) | - | 67,598 | - |
| | 129,372 | 997,439 | - |

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2021 and 2020

(in Canadian dollars)

14. Financial assets and liabilities (continued):

| | December 31 2020 | | |
|---|---------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| | \$ | \$ | \$ |
| Marketable securities | | | |
| Fair value through profit or loss (FVTPL) | 136,560 | - | - |
| Convertible debenture | | | |
| Amortized cost | - | 813,249 | - |
| Embedded derivative on convertible debenture | | | |
| Fair value through profit or loss (FVTPL) | - | 38,465 | - |
| Loan | | | |
| Amortized cost | - | 22,683 | - |
| Warrants | | | |
| Fair value through profit or loss (FVTPL) | - | 100,559 | - |
| | 136,560 | 974,956 | - |

15. 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.

| | March 31 2021 | December 31 2020 |
|--|------------------|---------------------|
| | \$ | \$ |
| Convertible debenture | 864,559 | 813,249 |
| Embedded derivative on convertible debenture | 41,804 | 38,465 |
| Loan | 23,478 | 22,683 |
| Warrants | 67,598 | 100,559 |
| Equity (Deficiency) | (2,127,368) | (975,624) |
| | (1,129,929) | (668) |

16. 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.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2021 and 2020

(in Canadian dollars)

16. Financial instrument risks (continued):

(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, cash and cash equivalents and short term investments 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.

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 three-month period ended March 31, 2021 and December 31, 2020, the Company has financed working capital needs through a loan, a convertible debenture, a promissory note, the exercise of warrants and private financings consisting of issuance of shares. Management estimates that the cash and cash equivalents as at March 31, 2021 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:

| | March 31 | | | |
|--|------------------|------------------|------------------|--------------|
| | 2021 | | | |
| | Less than | | More than | |
| | 1 year | 1-5 years | 5 years | Total |
| | \$ | \$ | \$ | \$ |
| Trade accounts payable and other liabilities | 1,681,617 | - | - | 1,681,617 |
| Convertible debenture | 1,000,000 | - | - | 1,000,000 |
| Embedded derivative on convertible debenture | 50,000 | - | - | 50,000 |
| Loan | - | 30,000 | - | 30,000 |

| | December 31 | | | |
|--|--------------------|------------------|------------------|--------------|
| | 2020 | | | |
| | Less than | | More than | |
| | 1 year | 1-5 years | 5 years | Total |
| | \$ | \$ | \$ | \$ |
| Trade accounts payable and other liabilities | 1,566,014 | - | - | 1,566,014 |
| Convertible debenture | 1,000,000 | - | - | 1,000,000 |
| Embedded derivative on convertible debenture | 50,000 | - | - | 50,000 |
| Loan | - | 30,000 | - | 30,000 |

(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 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.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2021 and 2020

(in Canadian dollars)

16. Financial instrument risks (continued):

(c) Foreign currency risk (continued)

As at March 31, 2021 and December 31, 2020, the Company is exposed to currency risk through fluctuations in the foreign exchange rate with respect to the following financial asset:

| | March 31 2021 | December 31 2020 |
|---|------------------|---------------------|
| | \$ | \$ |
| Financial instruments denominated in USD | | |
| Cash and cash equivalents | 4,185 | 12,968 |
| Other receivables | 43,967 | 9,804 |
| Prepaid expenses | 105,076 | 106,420 |
| Trade accounts payable and other liabilities | (842,918) | (798,318) |
| Lease liabilities | (41,147) | (52,811) |
| Net exposure | (730,837) | (721,937) |

Based on the above net exposure as at March 31, 2021 and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against USD would result in a change of \$73,084 (\$72,194 in 2020) in the Company's comprehensive loss and changes in equity.

(d) Price risk:

The Company is exposed to fluctuations in the market prices of its marketable securities in a quoted mining exploration company. The fair value of the marketable securities represents the maximum exposure to price risk. For the marketable securities in quoted mining exploration companies, an average volatility of 28.78% has been observed during the three-month period ending March 31, 2021 (51.58% for the year ended December 31, 2020).

This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If quoted stock price for these securities had increased or decreased by the same amount, profit and loss would have changed by \$37,233 as at March 31, 2021 (\$70,438 as at December 31, 2020).

17. Contingency:

On October 5, 2018, before the RTO (see Note 6 of the audited financial statements for the year ended December 31, 2019), 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.

18. Subsequent events:

On April 5, 2021, the Company issued to a service provider 50,000 common shares valued at \$17,000 for business development consultancy and consulting fees.

On April 8, 2021, the Company concluded a private placement by issuing 3,395,000 units at a price of \$0.35 per unit for proceeds of \$1,188,250. Each unit consists of one common share and one-half warrant for a total of 3,395,000 common shares and 1,697,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until April 8, 2023. The Company may, at its option, accelerate the expiry date under certain conditions.

On April 22, 2021, the Company concluded a private placement by issuing 3,022,128 units at a price of \$0.35 per unit for proceeds of \$1,057,745. Each unit consists of one common share and one-half warrant for a total of 3,022,128 common shares and 1,511,064 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until April 22, 2023. The Company may, at its option, accelerate the expiry date under certain conditions.

On April 30, 2021, the Company concluded a private placement by issuing 1,064,429 units at a price of \$0.35 per unit for proceeds of \$372,550. Each unit consists of one common share and one-half warrant for a total of 1,064,429 common shares and 532,214 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until April 30, 2023. The Company may, at its option, accelerate the expiry date under certain conditions.

On May 6, 2021, the Company granted 200,000 share options to consultants at an exercise price of \$0.50 per share, expiring on May 6, 2024.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2021 and 2020

(in Canadian dollars)

18. Subsequent events (continued):

On May 26, 2021, the Company issued to a service provider 30,000 common shares valued at \$11,250 for business development consultancy and consulting fees.

On May 27, 2021, the Company concluded a private placement by issuing 1,085,000 units at a price of \$0.35 per unit for proceeds of \$379,750. Each unit consists of one common share and one-half warrant for a total of 1,085,000 common shares and 542,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until May 27, 2023. The Company may, at its option, accelerate the expiry date under certain conditions.