# CERRO DE PASCO RESOURCES INC.

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

**Three-month and twelve-month periods ended**

**December 31, 2023 and 2022**

## NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of Cerro de Pasco Resources Inc., (the “Company”) for the three-month and twelve-month periods ended December 31, 2023 and 2022 have been prepared by and are the responsibility of the Company’s management. In accordance with National Instrument 51 - 102 - *Continuous Disclosure Obligations*, the Company discloses that its independent auditor has not performed a review of these condensed consolidated interim financial statements.

**CERRO DE PASCO RESOURCES INC.**
**Condensed Interim Consolidated Statements of Financial Position**
As at December 31, 2023 and December 31, 2022
(in US Dollars unless otherwise noted)

| | Note | December 31, 2023 | December 31 2022 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | 8 | 322,294 | 992,301 |
| Cash and cash equivalents - restricted | 8 | 4,589,876 | 4,462,271 |
| Accounts receivable | | 51,874 | 5,660,345 |
| Other financial assets | | 51,975 | 66,240 |
| Other receivables | 10 | 6,855,202 | 2,456,496 |
| Income and mining taxes receivable | | 150,800 | 701,060 |
| Inventories | 9 | 1,871,315 | 2,547,917 |
| Prepaid expenses | 11 | 888,747 | 1,194,902 |
| **Total current assets** | | 14,782,083 | 18,081,532 |
| **Non-current assets:** | | | |
| Property, plant, & equipment | 12 | 10,222,187 | 9,085,578 |
| Mining properties, exploration, and evaluation assets | 13 | 9,518,948 | 8,710,668 |
| **Total non-current assets** | | 19,741,135 | 17,796,246 |
| **Total assets** | | 34,523,218 | 35,877,778 |
| **Liabilities and Equity** | | | |
| **Current liabilities:** | | | |
| Trade accounts payable and other liabilities | 14 | 50,415,488 | 29,095,996 |
| Promissory note | 16 | 426,180 | 818,719 |
| Balance of purchase payable | | 1,717,847 | 1,674,194 |
| Current portion of contingent consideration payable | | 2,500,000 | 2,493,844 |
| Current portion of provisioning for rehabilitation and mine closure | 15 | 301,002 | 307,752 |
| Current portion of loan | 18 | 3,443,352 | 699,453 |
| Convertible debenture | 17 | 1,137,813 | 922,029 |
| Provision for taxes payable | | 279,058 | 1,715,112 |
| **Total current liabilities** | | 60,220,740 | 37,727,099 |
| **Non-current liabilities:** | | | |
| Loan | 18 | 178,043 | - |
| Provisioning for rehabilitation and mine closure | 15 | 13,124,440 | 13,891,385 |
| Deferred income tax | | 311,812 | 53,301 |
| **Total non-current liabilities** | | 13,614,295 | 13,944,686 |
| **Total liabilities** | | 73,835,035 | 51,671,785 |
| **Equity (deficiency):** | | | |
| Share capital | 19 | 26,244,921 | 23,663,537 |
| Warrants | 19 | 1,972,605 | 1,198,470 |
| Share options | 20 | 1,266,401 | 1,492,827 |
| Contributed surplus | | 1,725,769 | 762,546 |
| Deficit | | (71,187,625) | (43,609,287) |
| Accumulated other comprehensive income (loss) | | 666,112 | 742,050 |
| **Total shareholders' deficiency attributable to owners of the parent company** | | (39,311,817) | (15,749,857) |
| Non-controlling interest | | - | (44,150) |
| **Total shareholders' equity (deficiency)** | | (39,311,817) | (15,794,007) |
| **Total liabilities and shareholders' equity (deficiency)** | | 34,523,218 | 35,877,778 |

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

# CERRO DE PASCO RESOURCES INC.
## Condensed Interim Consolidated Statements of Comprehensive Income (Loss)
(in US Dollars unless otherwise noted)

| | | For the three-month period ended December 31, | | For the twelve-month period ended December 31, | |
|---|---|---|---|---|---|
| | **Note** | **2023** | **2022** | **2023** | **2022** |
| | | **$** | **$** | **$** | **$** |
| Revenue from Zinc, Lead, and Silver concentrate sales | | 1,590,173 | 9,898,469 | 19,570,273 | 40,591,297 |
| Cost of Sales | | 1,092,235 | 13,335,711 | 31,011,420 | 41,827,007 |
| **Gross Profit** | | **497,938** | (3,437,242) | **(11,441,147)** | (1,235,710) |
| **Expenses:** | | | | | |
| Selling Expenses | | 21,558 | 304,194 | 678,568 | 1,006,458 |
| Exploration and evaluation expenditures | | - | 2,810,494 | - | 3,647,368 |
| Care and maintenance | | 1,634,229 | - | 5,250,970 | - |
| General and administrative expenses | | 1,705,373 | 1,349,498 | 7,827,319 | 7,326,920 |
| **Operating loss before other expenses (revenues) and income tax** | | (2,863,222) | (7,901,428) | (25,198,004) | (13,216,456) |
| Other revenues(expenses): | | | | | |
| Financial income | | 2,704 | 5,480 | 77,276 | 73,669 |
| Financial expenses | | (581,642) | (361,621) | (2,027,955) | (1,288,719) |
| Non-recoverable sales taxes | | - | (146,216) | - | (146,216) |
| Change in fair value of other financial assets | | 90 | (1,150) | (15,973) | (22,126) |
| Change in fair value of warrants and embedded derivative on convertible debenture | | - | 1,504 | - | 28,942 |
| Gain on convertible debenture refinancing | | - | 100,124 | - | 100,124 |
| Change in fair value of contingent consideration | | 19 | 32,693 | (6,100) | (1,308,495) |
| Exchange loss (gain) | | 150,821 | 100,095 | (160,105) | (460,014) |
| Gain(loss) on sale of subsidiary | 7 | - | - | 246,876 | - |
| Gain (loss) on dissolution of subsidiaries | 6 | - | (3,578) | - | 99,697 |
| | | (428,008) | (272,669) | (1,885,981) | (2,923,138) |
| **Income (loss) before income taxes** | | (3,291,230) | (8,174,097) | (27,083,985) | (16,139,594) |
| Income and mining taxes | | (9,434) | (1,777,517) | (447,001) | (2,216,422) |
| **Net income (loss) from continuing operations** | | **(3,300,664)** | (9,951,614) | **(27,530,986)** | (18,356,016) |
| **Other comprehensive income (loss) from continuing operations** | | | | | |
| Currency translation adjustment | | (70,461) | 41,490 | (67,812) | 506,007 |
| **Other comprehensive income (loss) net of tax** | | (70,461) | 41,490 | (67,812) | 506,007 |
| **Net comprehensive income (loss) from continuing operations** | | **(3,371,125)** | (9,910,124) | **(27,598,798)** | (17,850,009) |
| **Net income (loss) from discontinued operations** | | - | (76,755) | (11,408) | (253,328) |
| **Other comprehensive income (loss) from discontinued operations** | | | | | |
| Currency translation adjustment | | - | 28,198 | 399 | 10,557 |
| **Net comprehensive income (loss) from discontinued operations** | | **-** | (48,557) | **(11,009)** | (242,771) |
| **Net comprehensive income (loss) - continuing operations and discontinued operations** | | **(3,371,125)** | (9,958,681) | **(27,609,807)** | (18,092,780) |
| **Net income (loss) attributable to:** | | | | | |
| Shareholders of Cerro de Pasco Resources Inc. | | (3,300,664) | (10,013,017) | (27,540,113) | (18,558,678) |
| Non-controlling interests | | - | (15,352) | (2,281) | (50,666) |
| | | **(3,300,664)** | (10,028,369) | **(27,530,986)** | (18,609,344) |
| **Other comprehensive income (loss) attributable to:** | | | | | |
| Shareholders Cerro de Pasco Resources Inc. | | (70,461) | 64,048 | (67,493) | 514,452 |
| Non-controlling interest | | - | 5,640 | 80 | 2,112 |
| | | **(70,461)** | 69,688 | **(67,812)** | 516,564 |
| **Total comprehensive income (loss) attributable to:** | | | | | |
| Shareholders of Cerro de Pasco Resources Inc. | | (3,371,125) | (9,948,969) | (27,607,606) | (18,044,226) |
| Non-controlling interest | | - | (9,712) | (2,201) | (48,554) |
| | | **(3,371,125)** | (9,958,681) | **(27,609,807)** | (18,092,780) |
| **Weighted average number of common shares outstanding** | | **335,953,543** | 287,864,412 | **317,567,681** | 287,651,238 |
| **Basic and diluted loss per share - continuing operations** | | (0.01) | (0.03) | (0.09) | (0.06) |
| **Basic and diluted loss per share - discontinued operations** | | - | (0.00) | (0.00) | (0.00) |
| **Basic and diluted loss per share** | | (0.01) | (0.03) | (0.09) | (0.06) |

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

**CERRO DE PASCO RESOURCES INC.**
Condensed Interim Consolidated Statements of Equity
Twelve-month period ended December 31, 2023 and 2022
(in US Dollars unless otherwise noted)

| | Number of shares outstanding | Share capital | Warrants | Share options | Contributed surplus | Deficit | Accumulated other comprehensive income (loss) | Total attributable to the owners of the company | Non-controlling interest | Total equity (deficiency) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Balance as at December 31 2022** | 287,890,934 | 23,663,537 | 1,198,470 | 1,492,827 | 762,546 | (43,609,287) | 742,050 | (15,749,857) | (44,150) | (15,794,007) |
| Shares and units issued: | | | | | | | | | | |
| Private placements | 54,032,500 | 2,638,786 | - | - | - | - | - | 2,638,786 | - | 2,638,786 |
| As payment of consulting fees | 760,000 | 55,683 | - | - | - | - | - | 55,683 | - | 55,683 |
| Share issuance costs | - | (113,085) | - | - | - | - | - | (113,085) | - | (113,085) |
| Warrants granted as part of private placements | - | - | 1,327,917 | - | - | - | - | 1,327,917 | - | 1,327,917 |
| Warrants expired | - | - | (537,947) | - | 537,947 | - | - | - | - | - |
| Warrants forfeited as part of promissory note refinancing | - | - | (15,835) | - | 15,835 | - | - | - | - | - |
| Share options granted | - | - | - | 183,015 | - | - | - | 183,015 | - | 183,015 |
| Share options forfeited | - | - | - | (409,441) | 409,441 | - | - | - | - | - |
| Reclassification of non-controlling interest to retained earnings upon sale | - | - | - | - | - | (46,352) | - | (46,352) | 46,352 | - |
| Reclassification of AOCI to retained earnings upon sale of subsidiary | - | - | - | - | - | 8,126 | (8,126) | - | - | - |
| Transactions with owners | 54,792,500 | 2,581,384 | 774,135 | (226,426) | 963,223 | (38,226) | (8,126) | 4,045,964 | 46,352 | 4,092,316 |
| Net and comprehensive loss for the period | - | - | - | - | - | (27,540,112) | (67,812) | (27,607,924) | (2,202) | (27,610,126) |
| **Balance as at December 31, 2023** | **342,683,434** | **26,244,921** | **1,972,605** | **1,266,401** | **1,725,769** | **(71,187,625)** | **666,112** | **(39,311,817)** | **-** | **(39,311,817)** |
| | | | | | | | | | | |
| **Balance as at December 31 2021** | 287,044,280 | 23,504,726 | 943,032 | 1,453,541 | 621,309 | (25,050,610) | 231,356 | 1,703,354 | - | 1,703,354 |
| Shares and units issued: | | | | | | | | | | |
| As payment of consulting fees | 846,654 | 158,811 | - | - | - | - | - | 158,811 | - | 158,811 |
| Warrants issued as part of a convertible debenture | - | - | 109,143 | - | - | - | - | 109,143 | - | 109,143 |
| Warrants issued as penalty interest on promissory note | - | - | 76,621 | - | - | - | - | 76,621 | - | 76,621 |
| Warrants issued as part of promissory note refinancing | - | - | 95,010 | - | - | - | - | 95,010 | - | 95,010 |
| Warrants expired | - | - | (25,336) | - | 25,336 | - | - | - | - | - |
| Share options granted | - | - | - | 106,726 | - | - | - | 106,726 | - | 106,726 |
| Share options forfeited | - | - | - | (67,440) | 67,440 | - | - | - | - | - |
| Reclassification of embedded derivative upon extinguishment of convertible debenture | - | - | - | - | 48,461 | - | - | 48,461 | - | 48,461 |
| Reclassification of accumulated other comprehensive income for dissolved entity | - | - | - | - | - | - | (3,758) | (3,758) | - | (3,758) |
| Non-controlling interests | - | - | - | - | - | - | - | - | 4,404 | 4,404 |
| Transactions with owners | 846,654 | 158,811 | 255,438 | 39,286 | 141,237 | - | (3,758) | 591,014 | 4,404 | 595,418 |
| Net and comprehensive income (loss) for the period | - | - | - | - | - | (18,558,677) | 514,452 | (18,044,225) | (48,554) | (18,092,779) |
| **Balance as at December 31, 2022** | **287,890,934** | **23,663,537** | **1,198,470** | **1,492,827** | **762,546** | **(43,609,287)** | **742,050** | **(15,749,857)** | **(44,150)** | **(15,794,007)** |

*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
For the twelve-months ended December 31, 2023 and 2022

| | Note | Twelve-month period ended December 31, 2023 | 2022 |
|---|---|---|---|
| | | $ | $ |
| **Operating activities:** | | | |
| Net loss | | (27,542,394) | (18,609,343) |
| Adjustments for: | | | |
| Income taxes | | 258,511 | - |
| Provision for contingent taxes | | (1,436,054) | 1,715,112 |
| Consulting fees paid through issuance of shares | 19 | 55,683 | 158,812 |
| Share-based compensation | | 184,752 | 106,726 |
| Change in fair value of other financial assets | | 15,973 | 33,188 |
| Change in fair value of warrants and embedded derivative on convertible debenture | | - | (28,942) |
| Gain/loss on dissolution | | - | (97,596) |
| Gain on sale of subsidiary | | (28,516) | - |
| Gain/loss on contingent consideration payable | | 6,100 | 1,391,653 |
| Gain on extinguishment of convertible debenture | | - | (100,124) |
| Effective interest on loan | | - | 1,942 |
| Presumed interest on convertible debenture | | 379,586 | 304,279 |
| Presumed interest on promissory note | | 110,933 | 343,988 |
| Depreciation of other intangibles | | - | 14,988 |
| Depreciation of property, plant, and equipment | 12 | 3,605,265 | 1,887,505 |
| Operating activities before changes in working capital items | | (24,390,161) | (12,877,812) |
| Change in trade receivables | | 5,608,475 | 3,444,566 |
| Change in other receivables | | (4,439,193) | (1,800,113) |
| Change in inventories | | 676,602 | (210,583) |
| Change in prepaid expenses | | 857,960 | (343,500) |
| Change in trade accounts payable and accrued liabilities | | 21,178,235 | 14,195,979 |
| Change in restricted cash | | (127,605) | (2,380,582) |
| Change in provisioning for rehabilitation and mine closure | | (773,694) | (514,579) |
| Change in working capital items | | 22,980,780 | 12,391,188 |
| **Cash flows used in operating activities** | | **(1,409,381)** | (486,624) |
| **Financing activities:** | | | |
| Proceeds received from shares issued | 19 | 4,002,728 | - |
| Repayment of a loan | | (1,160,247) | (1,238,687) |
| Repayment of convertible debenture | | (74,080) | (230,880) |
| Repayment of promissory note | | (463,000) | (246,272) |
| Proceeds from a loan | | 4,081,406 | - |
| Share issuance costs | | (113,083) | - |
| Transactions with minority interests in subsidiaries | | - | 4,404 |
| **Cash flows provided by (used in) financing activities** | | **6,273,724** | (1,711,435) |
| **Investing activities:** | | | |
| Acquisition of property, plant, and equipment | 12 | (4,741,875) | (5,002,312) |
| (Acquisition) reimbursement of exploration and evaluation assets | | (221,522) | 30,380 |
| Investment in mining concessions and mining development | | (586,757) | (2,089,495) |
| **Cash flows used in investing activities** | | **(5,550,154)** | (7,061,427) |
| **Net change in cash and cash equivalents** | | (685,811) | (9,259,486) |
| Cash and cash equivalents, beginning of year | | 992,301 | 9,981,779 |
| Effect of exchange rate fluctuations of cash held in foreign currencies | | 15,804 | 270,008 |
| **Cash and cash equivalents, end of year** | | **322,294** | 992,301 |

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

## 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 a natural resource company engaged in the acquisition, exploration, and development of mineral properties. The Company produces zinc and lead-silver concentrates from the Santander mine in Peru.

Cerro de Pasco Resources Inc. is a company located 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 website is www.pascoresources.com. The Company is trading on the Canadian Securities Exchange (CSE) under symbol "CPDR".

Prior to the acquisition of Cerro de Pasco Resources Subsidiaria del Perú S.A.C. (formerly Trevali Peru S.A.C.) (" Santander" and/or "CDPR Subsidiaria del Perú") the Company had been in pre-operative stage company. As of December 3, 2021 with the acquisition of Santander, the Company engaged in the development of all types of mining activities, without exception, which include the exploration and exploitation of mining rights, processing and sale of minerals and metals, such as lead, zinc and silver in the Santander mining unit that is located in Santa Cruz de Andamarca, province of Huaral, Lima, Peru.

During 2022, the Company abandoned any effort to reinstate its wholly owned subsidiary Zencig Corp., previously administratively dissolved by the Delaware Secretary of State for failing to meet its filing requirements (see Note 6).

Additionally, during 2022, the Company abandoned any effort to reinstate its wholly owned dormant subsidiary Zippler Inc., previously administratively dissolved under the Canada Business Corporation Act for non-compliance (see Note 6).

Furthermore, the Company sold their 80% interest in H2sphere GmbH, their subsidiary held for research during 2023 (see Note 7).

## 2. GOING CONCERN:

The accompanying consolidated financial statements have been prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve 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 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 consolidated 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 twelve-month period ended December 31, 2023, the Company recorded net loss of $27,540,112 (net loss of $18,558,678 for the twelve-month period ended December 31, 2022) due mainly to exploration and development in the Santander mine. The accumulated deficit of $71,187,625 as at December 31, 2023 ($43,609,287 as at December 31, 2022) is attributable to all sectors of the Company. As at December 31, 2023, the Company had a working capital deficit of $45,438,657 ($19,645,567 as at December 31, 2022) consisting of total cash and cash equivalents, restricted and unrestricted, of $4,912,170 ($5,454,572 as at December 31, 2022). This casts significant doubt regarding the Company's ability to continue as a going concern; unless 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. During the twelve-month period ended December 31, 2023, the Company was able to raise additional funds of about $3.9 million, net of issuance costs, to mitigate cash flow concerns. 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 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.

## 3. BASIS OF PREPARATION:

***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, particularly 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, 2022.

***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.

***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 consolidation.

| Subsidiary | Status | Jurisdiction of incorporation | Principal activity | % of ownership |
|---|---|---|---|---|
| Cerro de Pasco Resources Sucursal del Perú | Active | Peru | Exploration | 100% |
| Cerro de Pasco Resources Subsidiaria del Perú S.A.C. *(formerly Trevali Peru S.A.C.,” Santander*”) | Active | Peru | Production | 100% |

The two inactive subsidiaries of the Company, Zencig Corp. and Zippler Inc., were dissolved during the third quarter of 2022 (Note 6).

On July 3, 2023, the Company sold their 80%-stake in the research subsidiary H2-Sphere GmbH (“H2 Sphere”), back to the original owners of the Company (Note 7).

***Functional and presentation currency:***

The consolidated financial statements are presented in United States dollars (“USD”). The functional currency of Cerro de Pasco Resources Inc. is the Canadian dollar (“CAD”). The functional currency of Cerro de Pasco Resources Sucursal del Perú, Santander is USD. The functional currency of H2-Sphere GmbH is the Euro. See Note 4 for change in presentation currency details.

***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 the annual audited consolidated financial statements of the Company as at December 31, 2022.

## 4. CHANGES IN ACCOUNTING POLICY:

***Financial statement presentation currency***

As a result of the acquisition and increased operations of the acquired subsidiary, Santander, the Company has changed its financial statement presentation currency from CAD to USD, effective January 1, 2022 for these consolidated financial statements. The change in the financial statement presentation currency is an accounting policy change and has been accounted for retrospectively. Cerro de Pasco Resources Sucursal del Perú and Santander maintain functional currencies in USD. The Company's corporate office, which has a CAD functional currency, has been translated at the rate of exchange prevailing at the respective statement of financial position date except for equity ítems, which have been translated at accumulated historical rates from the related entities date of incorporation. The statements of loss and comprehensive loss were translated at the average exchange rates for the reporting period, or at the exchange rate prevailing at the date of transaction. Exchange differences arising from date of re-statement have been recognized in other comprehensive income and accumulated as a separate component of equity.

With the retrospective application of the change in presentation currency from CAD to USD, the Accumulated Other Comprehensive Income ("AOCI") related to the translation of the "USD" functional currency subsidiaries was eliminated. The Company's corporate office, which has a CAD functional currency, resulted in an AOCI balance.

***Change in financial year-end***

On December 21, 2023, the Board of Directors approved to change the Corporation's financial year-end from December 31 to March 31. As a result, the Company is reporting the year ended December 31, 2023 as condensed interim unaudited financial statements. Subsequent to the transition period, the Company's first full fiscal year will be from April 1, 2023 to March 31, 2024.

## 5. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, unless otherwise indicated.

***Revenue recognition:***

The principal activity from which the Corporation generates its revenue is the sale of zinc and lead-silver concentrates to third parties. Revenue is measured based on the consideration specified in the contract with the customer. Revenue of sales concentrate is recognized at a point of time when the Corporation transfers control of a product to the customer, which generally occurs when the concentrate is transferred to the carrier transporting the product.

***Non-controlling interests:***

Non-controlling interests ("NCI") represent equity interests owned by outside parties. NCI may be initially measured either at fair value or at the NCI's proportionate share of the recognized amounts of the acquirees identifiable net assets. The choice of measurement is made on a transaction-by-transaction basis. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity.

Total comprehensive income(loss) of subsidiaries is attributed to the shareholders of the Company and to the NCI even if this results in the NCI having a deficit balance. Changes in the parent company's ownership interest that do not result in a loss of control are accounted for as equity transactions.

***Foreign currency transactions and balances:***

The consolidated financial statements are presented in US dollars (see Note on Functional and presentation currency). Foreign currency transactions and balances are translated in their respective functional currency using the following method:

- Monetary assets and liabilities in foreign currency are translated at the closing exchange rate in effect at the reporting date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date.
- Revenues and expenses are translated at the average rate in effect during the year.
- Gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year end exchange rates are included in profit or loss.
- Non-monetary items are not re-translated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Assets, liabilities, and transactions of the subsidiary with a functional currency other than the US dollar are translated into US dollars on consolidation. On consolidation, assets and liabilities are translated into US dollars at the closing rate of the reporting date. Income and expenses are translated under the Company's presentation currency at the average rate over the reporting year. Exchange differences are presented as other comprehensive income (loss) and recognized in Accumulated other comprehensive income (loss) in equity(deficiency). On disposal of a foreign operation, the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal.

Goodwill, intangibles and fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets and liabilities of the foreign subsidiary and translated at the rate in effect at the statement of financial position date.

***Financial instruments:***

**(a) Recognition and derecognition:**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled, or expired.

**(b) Classification and initial measurement of financial assets:**

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets are classified into the following categories:

- amortized cost;
- fair value through profit or loss ("FVTPL");
- fair value through other comprehensive income ("FVOCI").

In the periods presented, the Company does not have any financial assets categorized as fair value through other comprehensive income.

The classification is determined by both:

- the entity's business model for managing the financial asset;
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance expenses, finance income or other financial items, except for impairment of trade receivables which is presented within general and administrative expenses.

**(c) Subsequent measurement of financial assets:**

(i) Financial assets at amortized cost:

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, short-term investments, and other receivables (except sales tax receivable) fall into this category of financial instruments.

(ii) Financial assets at fair value through profit or loss (FVTPL):

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category contains marketable securities in a quoted company. The Company accounts for the investments at FVTPL and did not make the irrevocable election to account for the investment in Genius Metal Inc. and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirement of IFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

***Compound financial instruments:***

The component parts of compound financial instruments (convertible debentures) issued by the Company are classified separately as financial liabilities and equity component in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the date of issue, the liability component is recognized at fair value, which is estimated using the borrowing rate available for similar non-convertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest method until extinguished upon conversion or at maturity.

The value of the conversion option classified as equity component is determined at the date of issue by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. When and if the conversion option is exercised, the equity component of convertible debentures will be transferred to share capital. If the conversion option remains unexercised at the maturity date of the convertible debentures, the equity component of the convertible debentures will be transferred to contributed surplus. No gain or loss is recognized upon conversion or expiration of the conversion option.

Transaction costs related to the issue of convertible debentures are allocated to the liability and equity component in proportion to the initial carrying amounts. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the term of the convertible debenture using the effective interest method.

***Impairment of financial assets:***

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses - the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements included other receivables (except sales tax receivable).

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Stage 1: financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk;
- Stage 2: financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not
- Stage 3: there is objective evidence of impairment as at the reporting date (using the criteria currently included in IAS 39).

12-month expected credit losses are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

***Classification and measurement of financial liabilities:***

The Company's financial liabilities at amortized cost include trade accounts payable and other liabilities, promissory note, balance of purchase payable, convertible debenture and loan. The Company's financial liabilities designated at FVTPL include warrants and contingent consideration payable.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest- related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance expenses or finance income.

***Business Acquisitions:***

The Company accounts for its acquisitions using the acquisition method whereby assets acquired and liabilities assumed are recorded at their estimated fair values with the surplus of the aggregate consideration relative to the fair value for the identifiable net assets recorded as goodwill.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

- cost of consideration is measured as the fair value of the assets provided, equity instruments issued, liabilities incurred or assumed and any non-controlling interest acquired at the acquisition date;
- identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- if the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed and any residual difference is recognized directly in net earnings;
- any costs directly attributable to the business combination are expensed as incurred; and
- contingent consideration is measured at fair value at the acquisition date and changes in fair value are recognized in net earnings.

***Basic and diluted loss per share:***

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by adjusting loss attributable to common shareholders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include options and warrants. Dilutive potential common shares are deemed to have been converted into common shares at the average market price at the beginning of the year or, if later, at the date of issue of the potential common shares. The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding warrants and share options.

***Cash and cash equivalents:***

Cash and cash equivalent consists of cash and cash in trust, as well as other highly liquid short-term investments, easily convertible in a known amount of cash and subject to negligible risk of value impairment. Restricted cash is not available for use by the Company and therefore is not considered highly liquid, for example, cash set aside to cover remediation obligations.

***Marketable securities:***

Marketable securities is comprised of shares of other publicly trading companies and are recorded at fair value as of the date of the statement of financial position. The difference from the original cost base related to share of other public trading companies is recorded in net loss.

***Inventories:***

Inventories comprise finished products, stockpiles, and supplies. Finished products are valued at cost or net realizable value, whichever is lower. The finished goods and stockpile include all production costs incurred directly, including direct labor and materials, freight and amortization, and directly attributable operating expenses. Supplies to be used in exploration and production are valued at acquisition cost, freight, and other directly attributable costs, which is determined using the weighted average method and the cost of inventories to be received, using the specific cost method.

The impairment of the value of the inventories is determined based on the net realizable value, which is the estimated sale price in the normal course of business, less the costs necessary to finish their production, put the inventories in a condition for sale and carry out their commercialization. For reductions in the book value of the inventories to their net realizable value, a provision for inventory impairment is made with a charge to profit or loss in the period in which such reductions occur.

(in US Dollars unless otherwise noted)

The devaluation of supplies is calculated annually taking into account the inventory items that have not had movements in the last 12 months, discounting security or critical items. The provision for impairment for the period is recorded with a charge to profit or loss for the year.

***Property, plant, and equipment:***

Property, plant, and equipment are held at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all costs incurred initially to acquire or construct an item of property, plant and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part thereof.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For the Santander mining unit, depreciation is determined using the units of production (PU) method calculated based on the economically recoverable resources. Other fixed assets including buildings, facilities, other equipment, computer equipment, communication equipment, and furniture and fixtures are depreciated using the straight-line method over the useful life of assets.

Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Land and works in progress are not depreciated.

The estimated useful lives are as follows:

| | | **Years of useful life** | |
|---|---|---|---|
| | **Depreciation method** | **2023** | **2022** |
| Buildings | Straight-line | 10 | 10 |
| Mining unit | PU | 6 to 7 | 4 |
| Plant | PU | 6 to 7 | 4 |
| Facilities | Straight-line | 10 | 10 |
| Other equipment | Straight-line | 10 | 10 |
| Computer equipment | Straight-line | 3 to 5 | 3 to 5 |
| Communication equipment | Straight-line | 5 | 5 |
| Software | Straight-line | 2 | 2 |
| Furniture and fixture | Straight-line | 5 to 10 | 5 to 10 |

The residual value, depreciation method and useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal, including assets classified as held-for-sale. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

***Mining properties and exploration and evaluation plant assets:***

Exploration and evaluation expenditures are costs incurred during the initial search of mineral resources before the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets.

Expenses related to exploration and evaluation include topographical, geological, geochemical, geophysical, exploration drilling, trenching, sampling, general expenses, financial charges, management fees and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts, the difference is then immediately recognized in profit or loss. When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property, plant and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

***Impairment of mining properties, exploration and evaluation assets and property, plant and equipment:***

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash- generating units). As a result, some assets are tested individually for impairment, and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash-generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- no further exploration or evaluation expenditures in the area are planned or budgeted;
- no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property, plant and equipment.

An impairment loss is recognized in profit or loss for the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. An impairment charge is reversed if the assets or cash-generating unit's recoverable amount exceeds its carrying amount.

***Provisions, contingent liabilities, and contingent assets:***

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environmental protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable, and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible, given that the Company's operations are still in the exploration and evaluation stage. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

As at December 31, 2023 and December 31, 2022, the Company had the provision for remediation and mine closure.

***Income taxes:***

When applicable, tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Currently, income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the year.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non- taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized directly in equity, in which case the related deferred tax is also recognized in equity.

***Leases:***

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of- use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right- of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest rate method and is re- measured when there is a change in future lease payments. When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets and lease liabilities on the consolidated statements of financial position. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months of less and leases of low- value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease.

***Share capital:***

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs.
If shares are issued following the exercise of share options, or warrants, this account also includes the charge previously accounted to the warrants and share options accounts. Furthermore, if shares are issued following the acquisition of mining property or other non-financial assets, shares are valued at fair value of mining property on the day the agreement was concluded. Unless this fair value cannot be estimated reliably, in which case the fair value is estimated according to the quoted price on the day of the conclusion of the agreement.

***Unit placements:***

The funds from unit placement are allocated between shares and warrants using the relative fair value method. The fair value of the common shares is recognized in equity based on the share price at the date of issue. The fair value of the warrants is determined using the Black- Scholes valuation model and is recorded separately under "warrants".

***Other elements of equity:***

Warrants and share options accounts include unrealized charges related to share options and warrants until they are exercised, if applicable. Contributed surplus includes compensation expense related to share options and warrants not exercised and expired.

Deficit includes all current and prior year retained losses.

Accumulated other comprehensive income (loss) includes all foreign currency translation adjustments.

***Equity-settled share-based compensation:***

The Company has an equity-settled share-based compensation plan for its eligible directors, employees, and consultants. The Company's plan is not cash-settled.

All goods and services received in exchange for the grant of any share-based compensations are measured at their fair values unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it must measure their value indirectly by reference to the fair value of the equity instruments granted.

For transactions with employees and with parties providing similar services, the Company evaluates the fair value of services received by reference to the fair value of equity instruments granted.

All equity-settled share-based compensation (except warrants to brokers) are ultimately recognized as an expense in the profit or loss with a corresponding credit to the Share options account. Equity-settled share-based compensation to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to warrants, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

***New standards and interpretations that have not yet been adopted:***

IAS 1 was issued in January 2020 and applies to annual reporting periods beginning on or after January 1, 2024. The amendment clarifies the criterion for classifying a liability as non-current relating to the right to defer settlement of a liability for at least 12 months after the reporting period. The Company has not early adopted this policy but will retrospectively apply beginning January 1, 2024.

Since the issuance of the Company’s audited consolidated financial statements for the year ended December 31, 2022, the IASB and IFRIC have issued no additional new and revised standards and interpretations which are applicable to the Company besides that mentioned above.

(in US Dollars unless otherwise noted)

## 6. DISSOLUTION OF SUBSIDIARIES:

***Administrative dissolution of Zencig Corp. and Zippler Inc.***

The Company's wholly owned subsidiaries Zencig Corp. and Zippler Inc. were previously administered dissolved (see Note 1). Effective September 30, 2022, the Company deconsolidated Zencig Corp. and recognized a gain, which was recorded in the consolidated statement of operations as a gain on the dissolution of a subsidiary. Effective September 30, 2022, the Company also deconsolidated Zippler Inc. The total gain on dissolution of subsidiaries amounted to $99,697 at December 31, 2022.

## 7. SALE OF SUBSIDIARY:

On July 3, 2023, the Company sold its 80% equity interest in H2Sphere GmBh. As such, this business is reported as a discontinued operation for the twelve-months ended December 31, 2023 and 2022. The Company has retrospectively recast its consolidated statements of operations for all periods presented. The Company has not segregated the cash flows of this business in the consolidated statements of cash flows. Management was also required to make certain assumptions and apply judgment to determine historical expenses related to the discontinued operations presented in prior periods. Unless noted otherwise, discussion in the Notes to the Condensed Interim Consolidated Financial Statements refers to the Company's continuing operations.

The Company received net consideration for the sale of approximately $164,924:

| | | |
|---|---|---|
| Purchase price | $ | 244,159 |
| Re-purchase of 80% stake in Company | | 21,578 |
| Forgiven accounts payable | | (100,813) |
| **Net consideration received** | **$** | **164,924** |

The Company recognized a gain of $246,876 after elimination of intercompany balances and net liabilities forgiven.

See below for a statement of comprehensive income for the twelve-month period ended December 31, 2023 and 2022 of the discontinued operations of H2Sphere GmBh allocable to the Company.

(in US Dollars unless otherwise noted)

| | Three-month period ended December 31, | | Twelve-month period ended December 31, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| | **$** | **$** | **$** | **$** |
| Revenue from Zinc, Lead, and Silver concentrate sales | - | - | - | - |
| Cost of Sales | - | - | - | - |
| **Gross Profit** | - | - | - | - |
| **Expenses:** | | | | |
| Research and development expenses | - | 76,115 | - | 247,447 |
| General and administrative expenses | - | 498 | 11,408 | 5,739 |
| | - | (76,613) | (11,408) | (253,186) |
| Other revenues(expenses): | | | | |
| Exchange loss (gain) | - | (142) | - | (142) |
| | - | (142) | - | (142) |
| **Income (loss) before income taxes** | - | (76,755) | (11,408) | (253,328) |
| Income and mining taxes | - | - | - | - |
| **Net income (loss) from discontinued operations** | - | (76,755) | (11,408) | (253,328) |
| Currency translation adjustment | - | 28,198 | 399 | 10,557 |
| **Other comprehensive income (loss) net of tax** | - | 28,198 | 399 | 10,557 |
| | - | (48,557) | (11,009) | (242,771) |
| **Net income (loss) attributable to:** | | | | |
| Shareholders of Cerro de Pasco Resources Inc. | - | (61,403) | (9,127) | (202,662) |
| Non-controlling interests | - | (15,352) | (2,281) | (50,666) |
| | **-** | **(76,755)** | **(11,408)** | **(253,328)** |
| **Other comprehensive income (loss) attributable to:** | | | | |
| Shareholders Cerro de Pasco Resources Inc. | - | 22,558 | 319 | 8,445 |
| Non-controlling interest | - | 5,640 | 80 | 2,112 |
| | **-** | **28,198** | **399** | **10,557** |
| **Total comprehensive income (loss) attributable to:** | | | | |
| Shareholders of Cerro de Pasco Resources Inc. | - | (38,845) | (8,807) | (194,217) |
| Non-controlling interest | - | (9,712) | (2,202) | (48,554) |
| | **-** | **(48,557)** | **(11,009)** | **(242,771)** |

The below consolidated cash flow table summarizes the cash flow statement activity, delineated as continuing or discontinued operations, for the twelve-months ended December 31, 2023 and 2022:

| ***Consolidated Cash Flow Summary*** | For the twelve-months ended | | | |
|---|---|---|---|---|
| | | **December 31, 2023** | | **December 31, 2022** |
| Cash flows provided by (used in) operating activities from continuing operations | **$** | (1,408,942) | $ | (471,560) |
| Cash flows provided by (used in) operating activities from discontinued operations | | (439) | | (15,064) |
| Cash flows provided by (used in) financing activities from continuing operations | | 6,273,724 | | (1,715,839) |
| Cash flows provided by financing activities from discontinued operations | | - | | 4,404 |
| Cash flows used in investing activities from continuing operations | | (5,532,540) | | (7,079,041) |
| Cash flows used in investing activities from discontinued operations | | (17,614) | | 17,614 |
| Net decrease in cash and cash equivalents | | **(685,811)** | | (9,259,486) |
| Net foreign exchange differences related to continuing operations | | 14,279 | | 260,433 |
| Net foreign exchange differences related to discontinued operations | | 1,525 | | 9,575 |
| Cash and cash equivalents at beginning of period | | 992,301 | | 9,981,779 |
| **Cash and cash equivalents at end of period** | **$** | **322,294** | $ | 992,301 |

(in US Dollars unless otherwise noted)

## 8. CASH AND CASH EQUIVALENTS:

The increase of $127,605 in restricted cash is due to the annual renewal of the closure bond with the Peruvian ministry of Energy and Mines issued on January 31, 2023, requiring a 37.75% cash collateral (see Note 13).

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| Cash and cash equivalents | 322,294 | 992,301 |
| Cash and cash equivalents – restricted | 4,589,876 | 4,462,271 |
| | **4,912,170** | **5,454,572** |

## 9. INVENTORIES:

The amount of inventories recognized as expenses during the year corresponds to the cost of sales presented in the statement of consolidated earnings. A summary of inventory components can be detailed as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| Finished products | - | 283,424 |
| Stockpile | 411 | 9,654 |
| Supplies | 1,870,904 | 2,254,839 |
| | **1,871,315** | **2,547,917** |

## 10. OTHER RECEIVABLES:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| Sales tax receivable (Corporate) | 28,608 | 25,546 |
| Sales tax receivable (Santander) | 6,640,895 | 2,306,693 |
| Other receivables | 185,699 | 124,257 |
| | **6,855,202** | **2,456,496** |

## 11. PREPAID EXPENSES:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| Prepaid taxes | 369,806 | 362,226 |
| Advances | 189,059 | 144,078 |
| Prepaid insurance | 7,500 | 20,365 |
| Other prepaid expenses | 322,381 | 668,233 |
| | **888,747** | **1,194,902** |

(in US Dollars unless otherwise noted)

## 12. PROPERTY, PLANT AND EQUIPMENT ASSETS:

The movement of this item and its accumulated depreciation for the periods ended December 31, 2023 and 2022 has been as follows:

| Cost | Balance as of December 31, 2022 | Additions | Write-off/ Adjustments | Transfers/ Transfer from Exploration and Evaluation Assets | Balance as of December 31, 2023 |
|---|---|---|---|---|---|
| Buildings | 7,445,198 | - | - | 558,110 | **8,003,308** |
| Mining Unit | 39,356,173 | - | (972,235) | - | **38,383,938** |
| Plant | 17,136,973 | - | (55,285) | 61,066 | **17,142,754** |
| Facilities | 7,315,965 | - | (190,224) | 264,711 | **7,390,452** |
| Miscellaneous equipment | 2,497,445 | 44 | - | 729,790 | **3,227,279** |
| Computer equipment | 129,009 | - | - | - | **129,009** |
| Software | 8,529 | - | - | - | **8,529** |
| Communication equipment | 166,156 | - | - | - | **166,156** |
| Furniture and Fixtures | 262,618 | - | - | - | **262,618** |
| Development costs | 3,867,081 | 3,772,874 | (327,373) | - | **7,312,582** |
| Work in progress | 2,960,305 | 1,952,831 | 572,882 | (1,622,314) | **3,863,704** |
| | **81,145,452** | **5,725,749** | **(975,235)** | **(8,637)** | **85,887,329** |

| Accumulated Depreciation and Amortization | Balance as of December 31, 2022 | Depreciation and Amortization | Write-off/ Adjustments | Transfers/ Transfer from Exploration and Evaluation Assets | Balance as of December 31, 2023 |
|---|---|---|---|---|---|
| Buildings | (6,590,400) | (114,686) | - | - | **(6,705,086)** |
| Mining Unit | (38,848,291) | (338,642) | - | - | **(39,186,933)** |
| Plant | (16,450,642) | (1,610,580) | - | - | **(18,061,222)** |
| Facilities | (7,018,475) | (58,454) | - | - | **(7,076,929)** |
| Miscellaneous equipment | (2,203,978) | (177,412) | - | - | **(2,381,390)** |
| Computer equipment | (119,017) | (2,362) | - | - | **(121,379)** |
| Software | (4,098) | (586) | - | - | **(4,684)** |
| Communication equipment | (162,516) | (1,261) | - | - | **(163,777)** |
| Furniture and fixtures | (239,630) | (2,741) | - | - | **(242,371)** |
| Development costs | (422,827) | (1,298,544) | - | - | **(1,721,371)** |
| | **(72,059,874)** | **(3,605,268)** | **-** | **-** | **(75,665,142)** |
| **Net carrying value** | **9,085,578** | **2,120,481** | **(975,235)** | **(8,637)** | **10,222,187** |

(in US Dollars unless otherwise noted)

## 13. MINING PROPERTIES, DEVELOPMENT, EXPLORATION, AND EVALUATION ASSETS:

| | December 31, 2022 | Additions | Adjustments and Concessions | Transfers to Property, Plant, and Equipment | December 31, 2023 |
|---|---|---|---|---|---|
| | $ | $ | | $ | $ |
| **Quiulacocha Tailings and Excelsior Stockpile** | | | | | |
| Mining properties | 1,231,724 | 221,522 | - | - | 1,453,246 |
| Exploration and evaluation | 144,111 | - | - | - | 144,111 |
| **Santander** | | | | | |
| Exploration and evaluation | 7,334,833 | 589,404 | (2,646) | - | 7,921,591 |
| | **8,710,668** | **810,926** | **(2,646)** | **-** | **9,518,948** |

During the twelve-month period ended December 31, 2023, results from recent drilling programs as part of a preliminary metallurgical test work program, the Company's management determined that positive indications provided the confidence in potential long-term economical recoverable values of the Santander mine resulting in the appropriate capitalization of such assets to be recognized under IFRS 6 Exploration for and Evaluation of Mineral Resources. The recoverability of the carrying amount of the exploration and evaluation asset is dependent upon the successful development and commercial exploitation or, alternatively, sale of the respective areas of interest. The Company will continue to evaluate the recoverable amounts for indication impairment.

| | December 31, 2021 | Additions | Adjustments** | Transfers to Property, Plant, and Equipment | December 31, 2022 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Quiulacocha Tailings and Excelsior Stockpile** | | | | | |
| Mining properties | 1,262,104 | - | (30,380) | - | 1,231,724 |
| Exploration and evaluation | 144,111 | - | - | - | 144,111 |
| **Santander** | | | | | |
| Exploration and evaluation | 5,245,338 | 5,470,202 | - | (3,380,707) | 7,334,833 |
| | **6,651,553** | **5,470,202** | **(30,380)** | **(3,380,707)** | **8,710,668** |

## 14. 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:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| **Trade accounts payable and accrued liabilities:** | | |
| Related parties | - | 37,932 |
| Factored payables | 15,249,660 | 5,101,411 |
| Income and mining taxes | 8,700 | 52,818 |
| Trade accounts payable | 29,037,691 | 20,754,212 |
| Accrued payroll and benefits | 2,255,033 | 2,026,615 |
| Accrued royalties payable | 9,608 | 90,766 |
| Trade association | 18,308 | 21,363 |
| Other payables and accrued expenses | 3,836,488 | 1,010,879 |
| | **50,415,488** | **29,095,996** |

(in US Dollars unless otherwise noted)

## 15. PROVISIONING FOR REHABILITATION AND MINE CLOSURE:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| Opening Balance | 14,199,137 | 14,713,715 |
| Provision update (accretion expense) | (773,695) | 187,211 |
| Variation due to change in key assumptions used | - | (578,767) |
| Payments | - | (123,022) |
| | **13,425,442** | **14,199,137** |
| Current portion | **301,002** | **307,752** |
| Non-current portion | **13,124,440** | **13,891,385** |

The Company must comply with environmental regulations in the development of all its activities, in all the jurisdictions in which it operates. It also includes the obligation, at the close of its operations, to remediate the disturbed areas where it has carried out its activities and over which it maintains mining title.

The Company is not aware of any negative effects on the environment arising from any of its properties that may give rise to significant obligations to third parties.

Environmental legislation has regulated the obligation to assume the costs and expenses associated with the closure obligation and, remediation of operations at the time of the conclusion of their activities, which results in financial planning to reduce the impact that these expenses and future costs could bring the Company. In addition to legislative measures by which the Company must guarantee the necessary funds to carry out the remediation activities.

The main assumptions used by the Company to calculate the provision are summarized below:

| | December 31, 2023 | December 31 2022 |
|---|---|---|
| | $ | $ |
| Estimated costs | 14,277,000 | 14,199,000 |
| Useful life of mine | 4 | 4 |
| Claim period (years) | 9 | 9 |
| Discount rate (Risk free rates) | 1.44% | 1.44% |
| Inflation rate | 2.30% | 8.20% and 3.00% |

As at December 31, 2022, in compliance with the provisions of the Regulations for the Closure of Mines approved by Supreme Decree No. 033-2005-EM, the Company had letters of guarantee issued in favor of the Peruvian Ministry of Energy and Mines for $11,516,713. In February 2022, the Company increased the guarantee to $14,913,975.

On January 31, 2023, in compliance with the provisions of the Regulations for the Closure of Mines approved by the Supreme Decree No. 004-2023/MINEM-DGAA, the Company had letters of guarantee issued in favor of the Peruvian Ministry of Energy and Mines for $13,176,612. This is a decrease from the previously approved $14,913,975.

## 16. PROMISSORY NOTE:

On November 26, 2021, the Company entered into a promissory note agreement for $1,500,000 which bears interest at 4.5% annually until the maturity date of May 26, 2022. The Company also issued 3,000,000 warrants to the noteholder. The initial fair value of the note of $1,324,086 was determined using an effective interest rate of 30%. The residual value of $175,914 was attributed to the warrants. The Company incurred transactions costs of $32,641. On June 23, 2022 the Company paid the holder of the promissory note $150,000 and on July 11, 2022, the Company paid an additional $150,000 to the holder.

The promissory note was amended on October 7, 2022, with a remaining principal balance of CAD $1,200,000 ($879,720), which bears interest at an increased interest rate of 10% per annum until the new maturity date of the sooner of April 3, 2023, or upon the receipt of funding from the forward sale of zinc concentrate related to the Santander Pipe deposit. Under the terms of the Amending Agreement, the Company shall use 25% of all capital raises to pay down the amounts owed on the Note. On November 4, 2022, the Company repaid CAD $20,000 reducing the principal amount due to CAD $1,180,000 ($865,058). The Company also granted up to 2,400,000 warrants at an exercise price of CAD $0.25 per unit, awarded in monthly installments of 400,000 warrants, until payment of the note is completed. The warrants were valued at CAD $128,880 ($95,010) and accreted over the life of the remaining maturity. The effective interest rate on the value of the warrant was determined to be about 39%.
The warrants were valued using the Black-Scholes pricing model with the following inputs: Share price of CAD $0.14, risk-free

(in US Dollars unless otherwise noted)

interest rate of 3.87%, expected life of 3 years, and expected volatility of 81%. The expected volatility used was determined using historical price volatility for the Company.

On March 15, 2023, the promissory note was renegotiated. The maturity date was extended to the sooner of (i) December 31, 2023; or (ii) upon receipt of funding from the forward sale of zinc concentrate related to the Santander Pipe deposit; and was taken out of default status. The Company paid $600,000 towards the principal balance in March 2023. The remaining balance on the note is $600,000.

On February 20, 2024, the promissory note was amended. The maturity date was extended to July 31, 2024. The note was further amended to include an additional $110,000 of penalty interest and was taken out of default status. As a result, the interest rate reverted to 10% per annum on the principal balance remaining of $555,000.

## 17. CONVERTIBLE DEBT:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| **Convertible debenture** | | |
| Convertible debenture capital of $1,500,000, bearing interest at 10% payable annually and maturing on July 1, 2024 | 1,137,813 | 922,029 |
| | **1,137,813** | **922,029** |
| Current portion of convertible debenture | 1,137,813 | 922,029 |
| Non-current portion of convertible debenture | - | - |

On June 15, 2021, the Company refinanced their existing convertible debt with a face value of $1,500,000 CAD ($1,230,450) and 1,857,143 warrants were issued due June 18, 2022. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.50 CAD until June 15, 2023. The warrants include an option to allow the Company to change the exercise price, subject to the approval of exchange. For accounting purposes, this option resulted in the warrants being classified as a financial liability at fair value through profit and loss. The fair value of the components as at June 15, 2021 is $1,263,188 CAD ($1,036,193) for the debenture, $57,125 CAD ($48,860) for the embedded derivative on the convertible debenture, $108,830 CAD ($89,273) for the warrants, and $58,800 CAD ($48,234) for the conversion option.

The initial values of the warrants and the conversion option were determined using the Black & Sholes evaluation model based on the following assumptions: Share price of $0.33 CAD, exercise price of $0.50 CAD, risk-free interest rate of 0.33%, Expected life of 2 and 1 year and expected volatility of 56% and 47%. The expected volatility used was determined using the historical price volatility of the Company.

On November 8, 2022, the lender agreed to extend the maturity date of the agreement to August 20, 2023 (the "Maturity Date"). An additional 3,000,000 warrants at an exercise price of $0.25 CAD per unit, were issued on the amendment date. Per accounting guidance, this transaction was considered an extinguishment of the old debt with the change in fair value recognized through the P&L as a gain on extinguishment in the amount of $100,124. The fair value as of November 8, 2022 of the amended agreement is $1,453,123 CAD ($1,081,124 (the "Principal Amount") in change for a reduction in the conversion price from $0.50 CAD to $0.25 CAD and a reduction of the percentage of the fee payable upon the repayment of the principal on the maturity date from 10% to 9% of the Principal Amount. The warrants were valued using the Black-Scholes evaluation model based on the following assumptions: Share price of $0.15 CAD, exercise price of $0.25 CAD, risk-free interest rate of 4.14%, expected life of 2 years and expected volatility of 83%. The expected volatility used was determined using historical price volatility for the Company.

On July 11, 2022, the Company paid $300,000 towards the principal balance of the convertible debenture. On May 8, 2023, an additional payment of $300,000 was due, of which the Company paid $100,000 on May 26, 2023. The Company was charged an additional $20,000 as an extension fee on the $200,000 unpaid cash owed.

On August 23, 2023, the lender agreed to extend the maturity date of the agreement to October 31, 2023 (the "Maturity Date"). On the new maturity date, the principal balance, extension fee, and an additional 10% of the total principal balance is owed to the lender.

On February 21, 2024, but deemed effective on January 31, 2024, the lender agreed to further extend the maturity date of the agreement to July 1, 2024 (the "Maturity Date"). On the new maturity date, the principal balance of $1,641,216 CAD and all accrued interest are due in full. Upon the signing of the agreement, the Company paid $20,000 CAD to the lender in legal fees and issued 5,000,000 warrants with an exercise price of $0.15 CAD. The conversion price of the debt was amended to $0.15 CAD per share.

## 18. LOAN:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| Reactiva Peru Loan Program (a) | - | 672,095 |
| Caterpillar Leasing Chile S.A. (b) | 567,780 | - |
| Grupo Coril Sociedad Agente de Bolsa S.A. (c) | 3,025,474 | - |
| Canada Emergency Business Account (d) | 28,141 | 27,358 |
| | **3,621,395** | **699,453** |
| Current portion | 3,443,352 | 699,453 |
| Non-current | 178,043 | - |

(a) In the framework of the Reactiva Perú Program approved by the Peruvian Government and as a way to extend its working capital, the Company signed a long-term borrowing agreement dated May 25, 2020 with a Peruvian financial institution for a total principal of S/10,000,000 (approximately $2,278,755) at an annual interest rate of 1.62% in Peruvian soles, and coming due at 3 years, with a grace period. As part of the terms of this loan, the funds cannot be used: (i) to pay and/or pay in advance any past due or current financing before paying the loan; (ii) buy fixed assets, bonds, shares or make capital contributions; or (iii) distribute dividends or earnings during its term, except for the earnings to workers.

The difference between the opening carrying amount of the loan measured at fair value and the income received, has been considered as a government grant and was recognized as deferred income. This grant will be systematically recognized in profit or loss over the periods, deducting the financial expense arose from the loan for which the benefit of the grant is intended to offset.

The Reactiva Peru Loan was paid off completely in June of 2023.

(b) The Company purchased an electric generator for the Santander mine through a lease financing agreement for approximately $800,000. The lease matures during August 2025 and has an annual interest rate of 9.95%.

(c) The Company entered into a working capital financing agreement with Grupo Coril Sociedad Agente de Bolsa S.A. on January 10, 2023. The loan comes due in March 2025 and has an annual interest rate of 1.5%.

(d) If $40,000 CAD ($31,836) of the $60,000 CAD ($47,754) loan is repaid by December 31, 2023, then loan forgiveness of $20,000 CAD ($15,918) will apply. If it is not repaid, the loan will bear interest at a rate of 5%. The full amount of the loan (principal and interest) is due and payable on December 31, 2025. The Company paid off the balance of the loan through a refinancing agreement on January 17, 2024, therefore receiving forgiveness of the $20,000 CAD ($15,918) by the government. The Company starts repayments of both principal and interest of the refinanced loan on February 25, 2024. Payments are $851 CAD (about $640 USD) per month over a 60-month period.

***Line of Credit:***

During 2022, CDPR Subsidiaria del Perú entered into a credit agreement with BBVA Bank. The Company has $2,000,000 to issue guarantee letters to its suppliers. BBVA charges an annual commission fee of 4.75%. As of the period ended December 31, 2023, approximately $1,000,000 letters of credit were issued.

## 19. SHARE CAPITAL AND WARRANTS

***Authorized:***

The Company is authorized to issue an unlimited number of common shares without par value.

***Issued and outstanding:***

As at December 31, 2023 the Company had 342,683,434 issued and outstanding common shares (December 31, 2022 – 287,890,934).

***Transactions during the period ended December 31, 2023:***

On February 22, 2023, the Company issued 40,000 common shares to two service providers valued at $3,101 for business development consultancy and consulting fees.

On March 22, 2023, the Company issued 8,895,000 units in a private placement at a price of $0.10 CAD per unit for proceeds of

$648,712. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional share of the Company at an exercise price of $0.25 CAD until March 22, 2025. The share issuance costs associated with this private placement amounted to $1,351.

On March 24, 2023, the Company issued 7,160,000 units in a private placement at a price of $0.10 CAD per unit for proceeds of $520,246. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional share of the Company at an exercise price of $0.25 CAD until March 24, 2025. The share issuance costs associated with this private placement amounted to $70,390.

On March 31, 2023, the Company issued 9,190,000 units in a private placement at a price of $0.10 CAD per unit for proceeds of $679,049. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.25 CAD until March 31, 2025. The share issuance costs associated with this private placement amounted to $8,900.

On May 17, 2023, the Company issued 40,000 common shares to two service providers valued at $3,565 for business development consultancy and consulting fees.

On May 31, 2023, the Company issued 1,840,000 units in a private placement at a price of $0.10 CAD per unit for proceeds of $135,258. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.25 CAD until May 31, 2025. The share issuance costs associated with this private placement amounted to $9,542. The Company paid an additional 8% in warrants as broker fees in connection with the private placement, equivalent to 128,800 warrant units.

On June 5, 2023, the Company issued a total of 8,200,000 units from several private placements at a price of $0.10 CAD per unit for proceeds of $610,408. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.25 CAD until June 5, 2025. The share issuance costs associated with these private placements amounted to $12,543. The Company paid an additional 8% in warrants as broker fees in connection with the private placement, equivalent to 157,500 warrant units.

On June 20, 2023, the Company issued 450,000 units in a private placement at a price of $0.10 CAD per unit for proceeds of $33,984. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.25 CAD until June 20, 2025.

On June 23, 2023, the Company issued a total of 577,500 units in several private placements at a price of $0.10 CAD per unit for proceeds of $43,752. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.25 CAD until June 23, 2025. The share issuance costs associated with these private placements amounted to $1,484. The Company paid an additional 8% in warrants as broker fees in connection with the private placement, equivalent to 14,000 warrant units.

On August 16, 2023, the Company issued a total of 40,000 common shares to two service providers valued at $2,959 for business development consultancy and consulting fees.

On September 29, 2023, the Company issued a total of 3,250,000 units in several private placements at a price of $0.10 CAD per unit for proceeds of $240,370. Each unit consists of one common share and half of one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.15 CAD and additional underlying warrant at an exercise price of $0.25 CAD, with an expiration of September 29, 2025 for both instruments. The Company paid $3,760 and an additional 8% in warrants as broker fees in connection with the private placement, equivalent to 80,000 warrants and 80,000 underlying warrants.

On October 6, 2023, the Company issued a total of 3,420,000 units in several private placements at a price of $0.10 CAD per unit for proceeds of $249,934. Each unit consists of one common share and half of one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.15 CAD and additional underlying warrant at an exercise price of $0.25 CAD, with an expiration of October 6, 2025 for both instruments. The Company paid an additional 8% broker fee equivalent to 24,000 warrants and 24,000 underlying warrants.

On November 20, 2023, the Company issued a total of 11,050,000 units in several private placements at a price of $0.10 CAD per unit for proceeds of $804,993. Each unit consists of one common share and half one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.15 CAD and an additional underlying warrant at an exercise price of $0.25 CAD, with an expiration of November 20, 2025 for both instruments. The Company paid $1,100 and additional warrants in broker fees, equivalent to 5,525,000 in warrants and 5,525,000 in underlying warrants.

On November 21, 2023, the Company issued a total of 40,000 common shares to two service providers valued at $2,336 for business development consultancy and consulting fees. The Company issued an additional 600,000 shares to another consultant as settlement of outstanding payables balance valued at $43,722 ($60,000 CAD).

***Transactions during the period ended December 31, 2022:***

On January 24, 2022, the Company issued to a service provider 60,000 common shares valued at $11,852 for business development consultancy and consulting fees.

On February 9, 2022, extended the terms of 2,343,500 common share purchase warrants pursuant to private placement offerings between February 28, 2020 and March 6, 2020 which entitled its holder to purchase one common share of the Corporation at an exercise price is $0.65 for a period of two years to February 28, 2023 and reduced the exercise price of $0.50 CAD, except for 53,150 warrants held by insiders of the Corporation which remained at an exercise price of $0.65 CAD.

On February 9, 2022, extended the terms of 10,184,588 common share purchase warrants pursuant to private placement offerings between June 15, 2020, June 16, 2020, July 2, 2020, August 21, 2020 and August 28, 2020 which entitled its holder to purchase one common share of the Corporation at an exercise price is $0.50 CAD for a period of two years to February 28, 2023.

On February 17, 2022, the Company issued to two service providers a total of 30,000 common shares valued at $5,908 for business development consultancy and consulting fees.

On March 28, 2022, the Company issued to a service provider 303,797 common shares valued at $60,562 as a senior advisor of H2 Sphere for business development consultancy and consulting fees. In addition, the Company issued under this consultancy agreement dated January 1, 2022, options to purchase an aggregate of 340,000 common shares of its capital stock, at $0.40 CAD per share, for a period of five years, as long as he remains employed by H2 Sphere.

On March 28, 2022, the Company issued 342,857 common shares valued at $68,348 to the CEO of H2 Sphere as compensation for services under an employment agreement dated January 1, 2022. In addition, the Company issued under this employment agreement options to purchase an aggregate of 700,000 common shares of its capital stock, at $0.40 CAD per share, for a period of five years, as long as he remains an employee of H2 Sphere.

On May 17, 2022 the Company issued to service providers 30,000 common shares valued at $4,792 for business development consultancy and consulting fees.

On September 29, 2022, the Company issued to two service providers a total of 40,000 common shares valued at $3,648 for business development consultancy and consulting fees.

On November 30, 2022, the Company issued to two service providers a total of 40,000 common shares valued at $3,701 for business development consultancy and consulting fees.

***Warrants:***

(in US Dollars unless otherwise noted)

The following table provides outstanding warrants information as at December 31, 2023:

| Expiry date | Number of outstanding warrants | Exercise Price (CAD) | Remaining life |
|---|---|---|---|
| | | $ | (years) |
| May 27, 2024 | 4,283,277 | 0.50 | 0.4 |
| November 8, 2024 | 3,000,000 | 0.25 | 0.9 |
| November 26, 2024 | 3,000,000 | 0.50 | 0.9 |
| March 22, 2025 | 8,895,000 | 0.25 | 1.2 |
| March 24, 2025 | 7,160,000 | 0.25 | 1.2 |
| March 31, 2025 | 9,190,000 | 0.25 | 1.2 |
| May 31, 2025 | 1,968,800 | 0.25 | 1.4 |
| June 5, 2025 | 8,357,500 | 0.25 | 1.4 |
| June 20, 2025 | 450,000 | 0.25 | 1.5 |
| June 23, 2025 | 591,500 | 0.25 | 1.5 |
| July 18, 2025 | 500,000 | 0.50 | 1.5 |
| July 26, 2025 | 500,000 | 0.50 | 1.5 |
| August 26, 2025 | 500,000 | 0.50 | 1.7 |
| September 26, 2025 | 500,000 | 0.50 | 1.7 |
| September 29, 2025 | 1,705,000 | 0.15 | 1.7 |
| September 29, 2025 | **1,705,000 | 0.25 | 1.7 |
| October 6, 2025 | 1,734,000 | 0.15 | 1.8 |
| October 6, 2025 | **1,734,000 | 0.25 | 1.8 |
| October 26, 2025 | 400,000 | 0.25 | 1.8 |
| November 20, 2025 | 5,525,000 | 0.15 | 1.9 |
| November 20, 2025 | **5,525,000 | 0.25 | 1.9 |
| November 26, 2025 | 400,000 | 0.25 | 1.9 |
| December 22, 2025 | 400,000 | 0.25 | 2.0 |
| January 26, 2026 | 400,000 | 0.25 | 2.1 |
| February 26, 2026 | 400,000 | 0.25 | 2.2 |
| | **68,824,077** | **0.27** | **1.4** |

**Underlying warrants cannot be exercised until all purchase warrants held by the shareholder have been exercised.

## 20. SHARE-BASED COMPENSATION:

***Share option plan:***

The Company has a stock option plan whereby the Board of Directors may grant 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.

The following table provides outstanding share options information as of December 31, 2023:

(in US Dollars unless otherwise noted)

| Expiry date | Number of granted share options | Number of exercisable share options | Exercise price | Remaining life |
|---|---|---|---|---|
| | | | $ | (years) |
| March 7, 2024 | 4,450,000 | 4,450,000 | 0.40 | 0.2 |
| May 6, 2024 | 200,000 | 200,000 | 0.50 | 0.3 |
| September 16, 2024 | 200,000 | 200,000 | 0.40 | 0.7 |
| August 28, 2025 | 2,640,000 | 2,640,000 | 0.40 | 1.7 |
| September 5, 2025 | 1,400,000 | 1,400,000 | 0.20 | 1.7 |
| March 2, 2027 | 340,000 | 340,000 | 0.40 | 3.2 |
| September 5, 2028 | 3,500,000 | 3,500,000 | 0.20 | 4.7 |
| | **12,730,000** | **12,730,000** | **0.32** | **2.0** |

## 21. 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 | | Twelve-month period ended | |
|---|---|---|---|---|
| | December 31, 2023 | December 31, 2022 | December 31, 2023 | December 31, 2022 |
| | $ | $ | $ | $ |
| Management and consulting fees | 228,831 | 416,799 | 1,168,304 | 1,969,085 |
| Salaries and director's fees | 120,380 | 210,275 | 459,079 | 526,236 |
| | **349,211** | **627,074** | **1,627,383** | **2,495,321** |

These transactions, entered in 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.

## 22. CONTINGENCY:

On January 9, 2023, the remaining balance of consideration payable to Trevali for the acquisition of the Santander Mine was due. As a result of an ongoing dispute with Trevali, this amount has not been paid. The Company is considering potential counter-claim litigation due to recently discovered events that occurred prior to the purchase of the Santander mine that would have affected the paid purchase price. Currently, the amount of this claim is inestimable for accounting purposes and no litigation has begun.

## 23. SUBSEQUENT EVENTS:

On January 10, 2024, the Company awarded 200,000 stock options to a consultant of the Company at an exercise price of $0.20 CAD per share, which expire September 5, 2028.

On January 17, 2024, the Company issued a total of 2,280,000 units in several private placements at a price of $0.10 CAD per unit for proceeds of $168,614. Each unit consists of one common share and half one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.15 CAD and an additional underlying warrant at an exercise price of CAD $0.25, with an expiration of January 17, 2026 for both instruments. The Company paid $8,941 commission and additional warrants in broker fees, equivalent to 120,900 in warrants and 120,900 in underlying warrants.

On January 29, 2024, the voluntary preventative refinancing proceeding (PRP) for Santander officially began. As of this date, all pre-commencement claims totaling approximately $51,810,683 have been rendered unenforceable until a preventative reorganization plan is approved by over 66.6% of allowed creditors. The expected duration of the suspension period is approximately 18 months. This estimate factors in a six-month period for the Peruvian authority to adjudicate the recognition of all filed periods of claims within the PRP.