



CERRO DE PASCO RESOURCES INC.
(FORMERLY GENIUS PROPERTIES LTD.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended
December 31, 2018
(Fourth Quarter)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following MD&A is a narrative explanation, through the eyes of the management of Cerro de Pasco Resources, on how the Company performed during the three-month period and year ended December 31, 2018. It includes a review of the Company's financial condition and a review of operations for the three-month period and year ended December 31, 2018 as compared to the three-month period and year ended December 31, 2017.

This MD&A complements the audited consolidated financial statements for the year ended December 31, 2018 but does not form part of them. It is intended to help the reader understand and assess the significant trends, risks and uncertainties related to the results of operations and it should be read in conjunction with the audited annual consolidated financial statements as at December 31, 2018 and related notes thereto.

The audited consolidated financial statements for the years and year ended December 31, 2018 and 2017 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to the preparation of annual consolidated financial statements. The accounting policies applied in the financial statements are based on IFRS issued and effective as at December 31, 2018. On April 29, 2019, the Board of Directors approved, for issuance, the condensed annual consolidated financial statements.

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

REPORT'S DATE

The MD&A was prepared with the information available as at April 29, 2019.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

Although the Company believes that the expectations conveyed by the forward-looking statements are based upon information available on the date that such statements were made, there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements unless required to do so by applicable Securities laws. All subsequent forward-looking statements, whether written or orally

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attributable to the Company or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

NATURE OF ACTIVITIES

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

BUSINESS DEVELOPMENT HIGHLIGHTS

- **Cerro de Pasco acquired title over the El Metalurgista concession:**

On January 12, 2018, Cerro de Pasco Resources S.A. through the public deed formally acquired title over the concession and paid its former titleholder, Mr. Victor Freundt Orihuela, the balance of the US\$853,700 purchase price. As a result, Cerro de Pasco is now the exclusive titleholder of the aforesaid concession, holding a 100% interest over it. Mr. Freundt retains the right to receive a 2% NSR royalty on the products obtained from the concession. This royalty can be bought back entirely by Cerro de Pasco as of initiation of commercial production in the concession, by paying a consideration of US\$3 million if the royalty is bought back by the end of the 2nd year, US\$3.5 million if bought back by the end of the 3rd year, or US\$4 million if bought back by the end of the 4th year.

- **Filing of Semi-Detailed Environmental Impact Assessment:**

On 6 June 2018, Cerro De Pasco Resources S.A. filed before the Environmental Mining Bureau of the Peruvian Energy and Mines, the Semi-Detailed Environmental Impact Assessment (EIA-SD) of the project involving the construction of 87 drilling platforms over an area of 80.67 hectares, which the company has decided to execute on its "El Metalurgista" concession, located at the Simon Bolivar District, Province and Department of Pasco, Peru. The purpose of the drilling campaign is to confirm historical drill hole data, confirm consistency of grades between historical drill holes for better modeling and planning, and to establish a compliant NI 43- 101 resource estimate.

The Semi-Detailed Environmental Impact Study (EIA-SD) of the "Exploration of Quiulacocha and Excelsior Deposits" project, Category II, has been prepared based on the regulations and standards issued by the Ministry of Energy and Mines (MEM), in compliance with the provisions of Supreme Decree No. 020-2008-EM: Environmental Regulation for Mining Exploration Activity, also in the Terms of Reference for Mining Exploration Activities established in Ministerial Resolution No. 167-2008-MEM / DM.

- **The Company announced merger with Cerro de Pasco Resources S.A.:**

On July 19, 2018, Genius Properties Ltd. announced results of annual meeting of shareholders of Cerro de Pasco Resources S.A. whereby the shareholders unanimously approved the Merger Transaction which resulted in a merger of Genius Properties Ltd. ("Genius Properties", now changed its name to Cerro de Pasco Resources Inc.) and Cerro de Pasco Resources S.A. (Peru) (the "Merger Transaction").

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- **Summary of the Merger Transaction with Cerro de Pasco Resources S.A.:**

Genius Properties Ltd. and Cerro de Pasco Resources SA effected the Merger Transaction by merging Genius Properties Ltd. with a branch of Cerro de Pasco Resources that was established under Peruvian laws ("BranchCo"), such that existing security holders of Cerro de Pasco Resources SA will become security holders of Genius Properties Ltd. In accordance with the terms of the Merger Transaction and in consideration for which Genius Properties LTD. issued an aggregate of 176,360,232 common shares to the former securityholders of Cerro De Pasco Resources SA. As a result of the Merger, Genius acquired all the rights, titles and interests of Cerro de Pasco Resources SA.

The 176,360,134 Genius shares issued to the former securityholders of Cerro de Pasco Resources SA pursuant to the Merger are held in escrow by Computershare Investor Services, Inc. as escrow agent, and will be automatically releases from escrow based on the following schedule:

| Release Dates | Percentage to be released | Number of shares to be released | Insiders Number of shares to be released |
|---------------|-----------------------------------|---------------------------------|--|
| 1-Nov-18 | 2% | 3.5M | 2.6M |
| 1-Feb-19 | 5% | 8.8M | 6.4M |
| 1-Aug-19 | 15% | 26.5M | 19.3M |
| 1-Feb-20 | 15% | 26.5M | 19.3M |
| 1-Aug-20 | 15% | 26.5M | 19.3M |
| 1-Feb-21 | 15% | 26.5M | 19.3M |
| 1-Aug-21 | 15% | 26.5M | 19.3M |
| 1-Feb-22 | The remaining escrowed securities | 31.5 M | 23.3M |

Subsequent to the Merger Transaction, Genius Properties Ltd. changed its name to "Cerro de Pasco Resources Inc." in the English version and "Resources Cerro de Pasco Inc." in the French version. The ticker symbol also changed to "CDPR".

Furthermore, as a result of the Merger Transaction, the board of directors of Cerro de Pasco Resources was comprised of six directors, four of which were appointed by Cerro de Pasco and two were current directors of Cerro de Pasco Resources. A seventh director was added to the Board in December 2018.

- **Spin-Off of Genius Metals:**

As part of the Merger Transaction and prior to the Merger, Genius Properties LTD. transferred substantially all of its assets and liabilities, including all of its Canadian mining properties, to Genius Metals Inc. in consideration for 9,797,790 common shares which were issued prior to issuing securities to the Cerro de Pasco Resources SA Shareholders.

- **The Company announces its AGM results:**

On August 3, 2018, CDPR announced results of annual meeting of shareholders. The Company's shareholders voted in favor of all matters brought before the meeting, among other things, they approved:

- the acquisition by Genius Properties of all the issued and outstanding shares of Cerro de Pasco, on the terms and subject to the conditions set out in a Merger Agreement dated November 9, 2017, as amended on February 28, 2018.
- the transfer by Genius Properties to Genius Metals Inc. ("SpinCo") of substantially all of the assets and all of the liabilities of Genius Properties ("Spin-off").

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- **Private Placement offering of common share units and flow-through units of Genius Metals Inc.:**

Genius Metals Inc., a wholly-owned subsidiary of Cerro de Pasco Resources Inc. announced a non-brokered private placement offering in connection with the acquisition of all of the Canadian mining properties of Cerro de Pasco Resources by way of the Spin-off and the listing of the common shares of SpinCo on the Canadian Securities Exchange, as more fully described in a listing statement of SpinCo dated July 26, 2018 (as amended, supplemented and restated from time to time, the "Listing Statement") available under the profile of Genius Metals on SEDAR.

- **Closing of the Merger Transaction, the Spin-off, the private placement and related transactions and change of name:**

On October 5, C DPR closed the following transactions:

- the spin-off of substantially all of the assets and liabilities of Genius to SpinCo and the distribution of the shares of SpinCo to shareholders of the Genius;
- the acquisition of Cerro de Pasco Resources S.A. ("Cerro de Pasco") by Genius;
- the closing by SpinCo of the first tranche of the private placement for aggregate gross proceeds of more than \$900,000;
- the change of name of Genius to "Cerro de Pasco Resources Inc.";
- appointment of Mr. Keith Brill as Director of the Company;
- appointment of Mr. Frank Hodgson as Director of the Company;
- appointment of Mr. Steven Allen Zadka as Director of the Company;
- appointment of Mr. Manuel Lizandro Rogriguez-Mariategui Canny as Director of the Company; and
- resignation of Mr. Hubert Vallée as Director of the Company.

- **On October 24, 2018, Mr. David Shaw has been appointed as Director of the Company:**

Dr. David Shaw has in excess of three decades of experience in the resource and finance industries with specific emphasis on technical and financial due diligence of resource projects. He attained a Bachelor of Science degree in Geology from the University of Sheffield, England in 1973 and his Ph.D in Structural Geology from Carleton University, in Ottawa, in 1980.

Dr. Shaw spent seven years with Chevron Resources in Calgary, AB, and Vancouver, BC, employed initially as an in-house structural consultant on both metal and hydrocarbon exploration programs. Upon leaving Chevron he initiated and developed the Resource Research Group at Charlton Securities Ltd., Calgary, before assuming the position of Senior Mining Analyst, Corporate Finance, at Yorkton Securities Inc. in Vancouver.

Throughout Dr. Shaw's career, he has built strong relationships with European financial institutions and the global mining community. He is currently director and annual CEO of First Mining Gold Corp. and director of First Majestic Silver Corp., Great Quest Fertilizer and Medallion Resources Limited.

- **The Company Completes a Non-Brokered Private Placement of \$1.7 Million**

On December 21, 2018, the Company announced the closing of a \$1,650,500 non-brokered private placement of 6,602,000 units of the Company. Each unit consisted of one common share and one share purchase warrant at a price of \$0.25 per unit. Each warrant will entitle the holder to purchase one additional share at a price of \$0.40 per share for a period of 24 months from the date of issuance provided however that the Company shall be entitled to accelerate the expiry of the warrants to the date that is 30 days following the date a notice is provided to the holder in the event that the volume weighted average price of the shares on the Canadian Securities Exchange exceeds \$0.55 per share for any twenty (20) consecutive trading days at any time prior to the expiry of the warrants

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BUSINESS DEVELOPMENT SUBSEQUENT EVENT

- **Grant of Share Options**

In March 2019, the Company granted 5,450,000 share options to directors, officers, service providers and an employee, to purchase 5,450,000 common shares of the Company at an exercise price of \$0.40 per share and expiring in March 2024.

- **Exercise of warrants**

In April 2019, a total of 8,586,910 warrants have been exercised at a price of \$0.25 per warrant for an amount of \$2,146,728.

PROJECT DEVELOPMENT HIGHLIGHTS

In 2018 the Company focused its efforts on developing its Project. The efforts were focused on the following area of importance:

- **Community relations**

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

- **Government relations**

The Company spent a significant amount of time and capital communicating the opportunities of the El Metalurgista Project to the local and national government of Peru. The company employed various consultants to produce technical materials, related to health, safety, environment and communities. The materials highlighted the opportunities of the project and the potential positive impact it will have on Cerro De Pasco. The Company also employed a political advisor who helped navigate the constant change of Peru's National government during the year of 2018.

- **Nearby milling and processing facilities**

During the month of March 2018, the Company entered into a confidentiality agreement with the owner of the nearby milling and processing facilities for the purpose of evaluating the potential. As a result of this, the company spent a significant amount of time and effort on evaluating all aspects of the nearby milling and processing facilities which included, technical, legal and financial due diligence.

CORPORATE OBJECTIVES FOR 2019

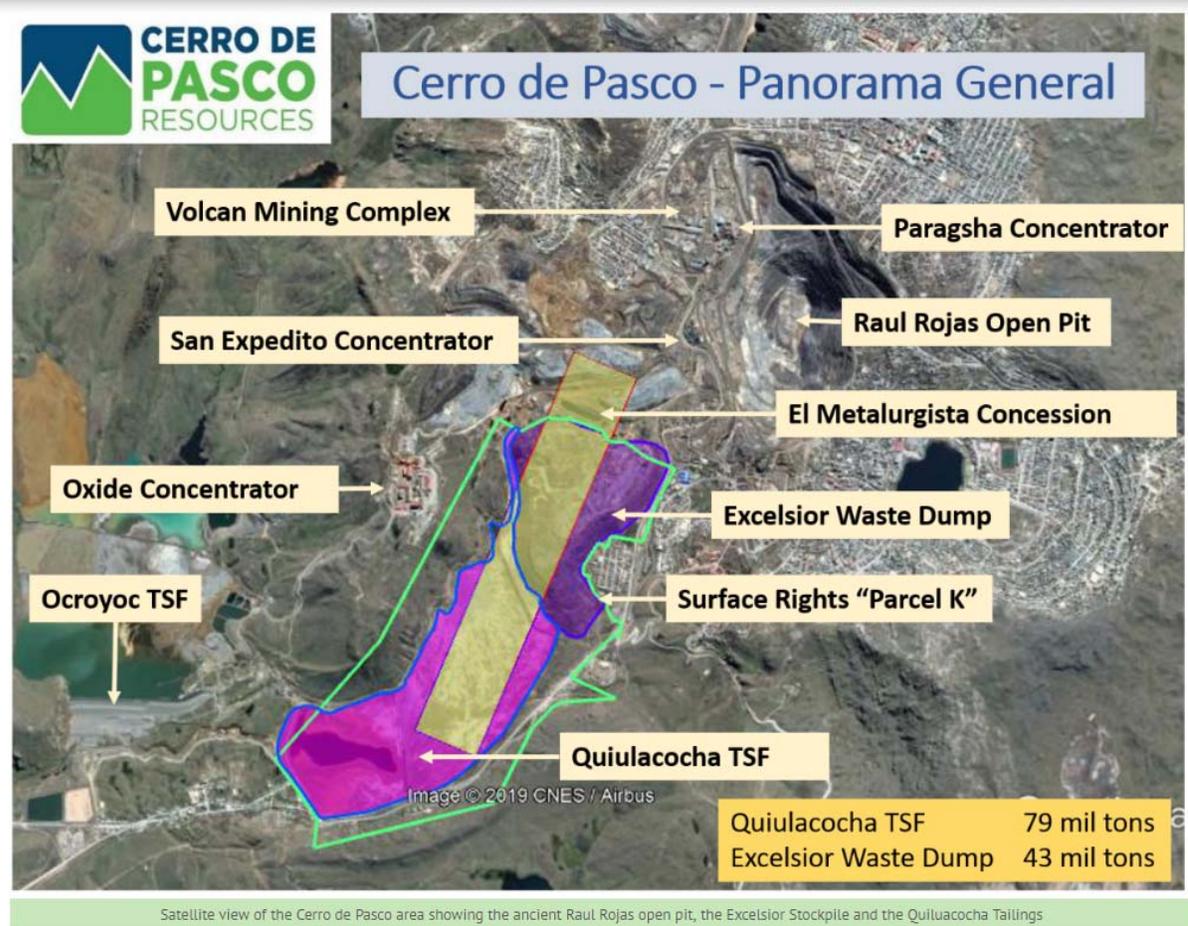
- Execute an agreement with the Ministry of Energy and Mines to operate subject to confirmation of mineral resource and completion of studies.
- Execute an agreement for the use of nearby milling and processing facilities.
- Complete environmental impact assessment study.
- Conduct metallurgical testing and bulk-sampling.
- Complete internal engineering studies for the comprehensive surface rehabilitation and development of remaining in site resource

MANAGEMENT'S DISCUSSION AND ANALYSIS

CURRENT PROJECTS

Cerro De Pasco

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



The Excelsior Mineral Pile and Quiulacochoa Tailings

The Excelsior property consists of the Excelsior Mineral Pile (“EMP”) and Quiulacochoa Tailings (“QT”) which are residues generated by the processing of the Cerro de Pasco Mine Pb-Zn-Ag-Cu ore located 310 km from Lima, in east-central Peru.

The Cerro de Pasco mine became one of the world's richest silver producing regions after base and precious metals were discovered in 1630. The EMP left from the mine operations contains an estimated 104Mt of which an estimated 43Mt can be economically processed and the QT contains 79Mt of which an estimated 79Mt could be economically processed. Cerro de Pasco Resources Inc. through its Peruvian Branch, Cerro

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de Pasco Resources Sucursal del Peru, owns 100% of the mineral rights of the El Metalurgista Concession, where the EMP and QT are located.

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

The EMP occupies an area of 94 ha and contains 26,400,000 m³ of fragmentary rocks forming terraces composed of sulfide-rich rocks, sericitized volcanic and carbonate (dolomitic) rocks. Metal-bearing minerals consist of sphalerite (Zn), tennantite (Cu), cerussite (Pb), enargite (Cu) and galena (Pb, Ag-rich). The more reliable Historical Resources Estimate generated 42.89 Mt @ 0.09 wt. % Cu (85.1 M lb), 0.73 wt. % Pb (690.3 M lb), 1.59 wt. % Zn (1696.1 M lb) and 66.1 g/t Ag (91.1 M oz) with Pb+Zn= 2.33 wt. %*.

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

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

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

Our Business Plan

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

The pit still holds significant reserves and resources. The current political, social and economic climate in Peru creates a positive platform from which the Company can execute its vision for a fully integrated and multi-dimensional economic rehabilitation of all of the current and legacy minerals assets around the city of Cerro de Pasco. Cerro de Pasco Resources continues to advance a dialogue with leading experts on mineral waste recycling and site remediation with the aim of achieving an ambitious “zero waste” solution and the creation of a Circular Economy for the city of Cerro de Pasco. The Company has received encouraging signals from multiple levels of the Peruvian Ministry of Energy and Mines beckoning an intensive exploration and development phase starting in 2019.

Our Concept Proposal

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

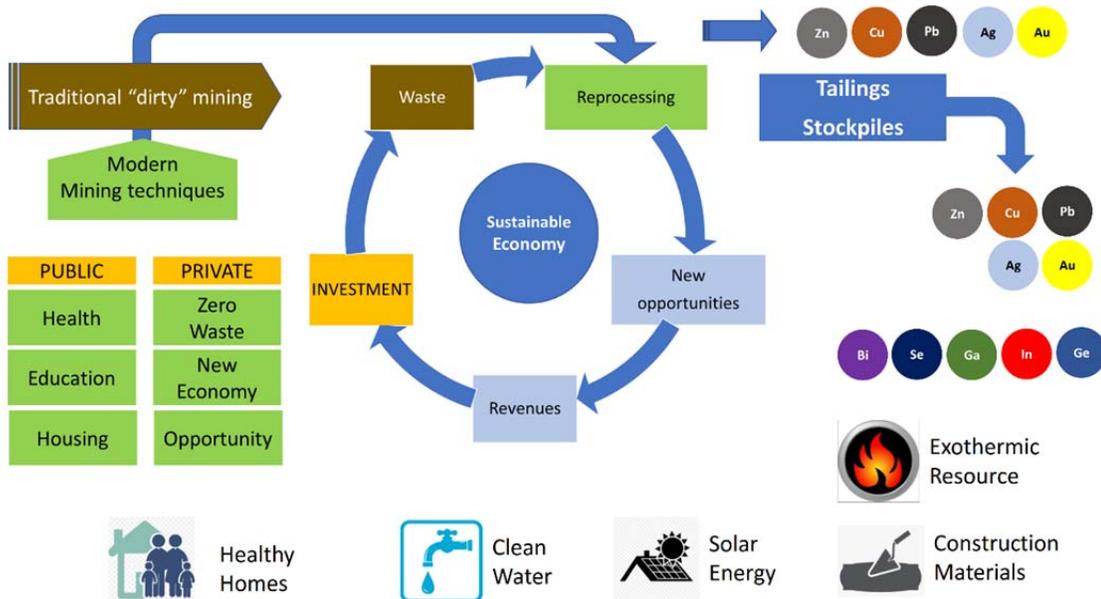
The future of Cerro de Pasco will depend on the application of the latest science in geo-resource and industrial development. The town's history has, until now depended entirely on conventional “dirty” mining of commodity metals. However, new science can secure long-term economic sustainability in harmony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

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integrating all its resources and introducing techniques to reprocess all tailings and stockpiles contained within the entire complex.

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

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



Exploration outlook

As part of the next steps in the development of the project, the Company will first need to update the historical Mineral Resource Estimates performed on the QT and EMP to render them compliant with the NI43-101 and CIMM norms. Regarding the EMP Resource Estimate, re-sampling of the 2009 RC drill holes (if retrievable) and pits, and sinking of twin holes will be necessary. The upgrading to Indicated or Measured Mineral Resources may also require additional RC drill holes to tighten the spacing which currently sits at 30

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to 50 m. Note the QT Mineral Resource Estimates concerns about 225,000 m2 of tailings area; less than half of the total surface. The Company is evaluating a sonic drilling program to expand the QT resources.

Thereafter the company will endeavor to complete a detailed feasibility study for the reprocessing of either the Tailings and or Stockpile.

MINING PROPERTIES & EXPLORATION AND EVALUATION ASSETS

Mining properties can be detailed as follows:

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

| | December 31 2016 | Rights | Exchange | December 31 2017 |
|---|---------------------|----------------|-----------------|---------------------|
| | \$ | \$ | \$ | \$ |
| Peru Project: | | | | |
| Quiulacocha tailings and Excelsior Stockpile: | 492,599 | 334,283 | (54,198) | 772,684 |
| Grand total | 492,599 | 334,283 | (54,198) | 772,684 |

Exploration and evaluation assets by nature are detailed as follows:

| | December 31 2018 | December 31 2017 |
|--|---------------------|---------------------|
| | \$ | \$ |
| Exploration and evaluation costs: | | |
| Installation pre-operative expenses | - | 181,662 |
| Exchange | 15,694 | (950) |
| Balance, beginning of year | 180,712 | - |
| Balance, end of year | 196,406 | 180,712 |

Exploration and evaluation assets by properties are detailed as follows:

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

| | December 31 2016 | Exploration costs | Exchange | December 31 2017 |
|---|---------------------|----------------------|----------|---------------------|
| | \$ | \$ | \$ | \$ |
| Peru Project: | | | | |
| Quiulacocha tailings and Excelsior Stockpile: | - | 181,662 | (950) | 180,712 |
| | - | 181,662 | (950) | 180,712 |

QUALIFIED PERSON

Dr. Michel Boily P.Geol, is the qualified person under NI 43-101 who has reviewed and approved the technical information contained in this document for the Canadian and Peruvian properties.

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SELECTED ANNUAL FINANCIAL INFORMATION

The following selected financial information is derived from our audited financial statements for each of the three most recently completed financial years.

Functional and presentation currency

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

IFRS Accounting policies

The Company's significant accounting policies under IFRS are disclosed in Note 5 in the audited annual consolidated financial statements for the year ended December 31, 2018.

Use of estimates and judgements

Please refer to Note 3.5 of the 2018 audited annual consolidated financial statements for an extended description of the information concerning the Company's significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses.

Changes in accounting policies

The Company's changes to accounting policies are disclosed in Note 4 in the audited annual consolidated financial statements for the year ended December 31, 2018.

New standards and interpretations that have not yet been adopted

The information is provided in Note 5.19 of the 2018 consolidated financial statements.

Reverse takeover

The information is provided in Note 6 of the 2018 consolidated financial statements.

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CERRO DE PASCO RESOURCES INC. SELECTED ANNUAL FINANCIAL INFORMATION

| | December 31 2018 | December 31 2017 (restated) ¹ | December 31 2016 (restated) ¹ |
|--|---------------------|--|--|
| | \$ | \$ | \$ |
| CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS | | | |
| Operating expenses | | | |
| General and administrative expenses | 1,765,688 | 625,069 | 50,628 |
| | 1,765,688 | 625,069 | 50,628 |
| Other expenses (revenues) | | | |
| Finance expense | 5,396 | 91,100 | - |
| Exchange gain | (115,865) | (9,958) | (14,790) |
| Non-recoverable sales taxes | 51,412 | 23,898 | - |
| Gain on settlement of payables | (76,961) | - | - |
| Non cash listing costs related to the reverse takeover ("RTO") | 13,754,103 | - | - |
| | 13,618,085 | 105,040 | (14,790) |
| Income tax | - | - | - |
| Net loss | 15,383,773 | 730,109 | 35,838 |
| Other comprehensive loss | | | |
| Currency translation adjustment | (54,140) | 4,464 | - |
| Other comprehensive loss net of tax | (54,140) | 4,464 | - |
| Net loss and comprehensive loss | 15,329,633 | 734,573 | 35,838 |
| Net loss attributable to: | | | |
| Shareholders of Cerro de Pasco Resources Inc | 15,383,773 | 730,109 | 35,838 |
| Non-controlling interests | - | - | - |
| Other comprehensive loss attributable to: | | | |
| Shareholders of Cerro de Pasco Resources Inc | (54,140) | 4,464 | - |
| Non-controlling interests | - | - | - |
| Basic and diluted loss per share: | 0.10 | 0.01 | 0.00 |
| CONSOLIDATED STATEMENTS OF FINANCIAL POSITION | | | |
| Cash and cash equivalents | 1,364,140 | 38,441 | 11,182 |
| Property and equipment | 22,886 | 1,028 | - |
| Mining properties | 1,110,343 | 722,684 | 492,599 |
| Exploration and evaluation assets | 196,406 | 180,712 | - |
| Total assets | 2,954,032 | 1,111,031 | 503,781 |
| Total current liabilities | 560,512 | 2,012,634 | 670,811 |
| Equity (deficit) | 2,391,302 | (901,603) | (167,030) |

(1) See Note 4.1 in the audited consolidated financial statements of 2018

The basic and diluted loss per share during the year ended December 31, 2018 is \$0.10 (\$0.01 in 2017 and \$0.00 in 2016). During the year ended December 31, 2018, the Company realized a net loss of \$15,383,773 as compared to a net loss of \$730,109 for the year ended December 31, 2017 (an increase of \$14,653,664 compared to 2017) and to a net loss of \$35,838 for the year ended December 31, 2016 (an increase of \$694,271 compared to 2016).

The significant increase of \$14,653,664 for the year ended December 31, 2018 as compared to 2017 in net loss is attributable to listing costs expenses incurred for the completion of the RTO (\$13,754,103 in 2018 compared to \$Nil in 2017).

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The increase of \$730,109 for the year ended December 31, 2017 as compared to 2016 in net loss is attributable to a significant increase of \$574,441 in general and administrative expenses in 2017 (\$625,069 in 2017 compared to \$50,628 in 2016).

The total assets as at December 31, 2018 were \$2,954,032 as compared to \$1,111,031 and \$503,781 for the years ended December 31, 2017 and 2016 respectively. The increase of \$1,843,001 in total assets in 2018 compared to 2017 (\$2,954,032 compared to \$1,111,031) is mainly due to the proceeds of \$1,600,501 from private placements concluded in December 2018.

The increase of \$607,250 in total assets in 2017 compared to 2016 (\$1,111,031 compared to \$503,781) is mainly due to the acquisition in 2017 of mining rights and exploration and evaluation assets of approximately \$410,000.

The total current liabilities as at December 31, 2018 were \$560,512 as compared to \$2,012,634 and \$670,811 for the years ended December 31, 2017 and 2016 respectively. The decrease of \$1,452,122 in total current liabilities in 2018 compared to 2017 is mainly due to the settlement of accounts payables of \$1,310,334 concluded in May and June 2018.

The increase of \$1,341,823 in total current liabilities in 2017 compared to 2016 (\$2,012,634 compared to \$670,811) is mainly due to a significant increase of general and administrative expenses of \$574,441 in 2017 (\$625,069 in 2018 compared to \$50,628 in 2017) combined with an increase in mining properties and exploration and evaluation assets of \$410,797 (\$903,396 in 2018 compared to \$492,599 in 2017).

The increase of \$3,292,905 in equity in 2018 compared to 2017 (\$2,391,302 compared to a deficit \$901,603) is mainly due to the proceeds of \$1,600,501 from private placements concluded in December 2018 combined with the value of \$411,644 of the warrants issued from the private placements and the addition of the warrants estimated at \$652,493 from the RTO of October 5, 2015.

The increase of \$734,573 in deficit in 2018 compared to 2017 (\$901,603 compared to \$167,030) is mainly due to the net loss of \$730,109 in 2017.

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

Results of operations for the year ended December 31, 2018

Net loss

During the year ended December 31, 2018, the Company realized a net loss of \$15,383,773 as compared to a net loss of \$730,109 for the year ended December 31, 2017.

The significant increase of \$14,653,664 for the year ended December 31, 2018 as compared to 2017 in net loss is attributable to listing costs expenses incurred for the completion of the RTO (\$13,754,103 in 2018 compared to \$Nil in 2017).

During the year ended December 31, 2017, the Company realized a net loss of \$730,109 as compared to a net loss of \$35,838 for the year ended December 31, 2016.

The increase of \$694,271 for the year ended December 31, 2017 as compared to 2016 in net loss is attributable to a significant increase of general and administrative expenses in 2017 (\$625,069 in 2017 compared to \$50,628 in 2016).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating expenses

During the year ended December 31, 2018, operating expenses were \$1,765,688 as compared to \$625,069 for the year ended December 31, 2017.

The significant increase of \$1,140,619 for the year ended December 31, 2018 as compared to 2017 in operating expenses is attributable to a significant increase of \$719,673 in management and consulting fees (\$720,728 in 2018 compared to \$1,055 in 2017) combined with an increase of \$194,052 in salaries and employee benefit expense (\$332,078 in 2018 compared to \$138,026 in 2017).

During the year ended December 31, 2017, operating expenses were \$625,069 as compared to \$50,628 for the year ended December 31, 2016.

The significant increase of \$574,441 for the year ended December 31, 2017 as compared to 2016 in operating expenses is mostly attributable to the an increase of professional fees of \$457,848 (\$457,848 in 2018 compared to \$Nil in 2017).

Other expenses (revenues)

During the year ended December 31, 2018, the other expenses was \$13,618,085 as compared to other expenses of \$105,040 for the year ended December 31, 2017 and other revenues of \$14,790 for the year ended December 31, 2016.

The increase of \$13,513,045 in 2018 as compared to 2017 (other expenses of \$13,618,085 in 2018 compared to other expenses of \$105,040 in 2017) in other expenses is attributable to listing costs expenses incurred for the completion of the RTO (\$13,754,103 in 2018 compared to \$Nil in 2017).

The increase of \$119,830 in 2017 as compared to 2016 (other expenses of \$105,040 in 2017 compared to other revenues of \$14,790 in 2016) in other expenses (revenues) is mostly attributable to an increase of \$91,100 in finance expense in 2017 (\$91,100 in 2017 compared to \$Nil in 2016).

SELECTED QUARTERLY FINANCIAL INFORMATION

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CERRO DE PASCO RESOURCES INC. SELECTED QUARTERLY FINANCIAL INFORMATION

| | 2018 | | | 2017 | | | |
|--|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (INCOME) | | | | | | | |
| Operating expenses | | | | | | | |
| General and administrative expenses | 770,569 | 474,702 | 359,534 | 160,883 | 543,287 | 107,741 | 102,687 |
| | 770,569 | 474,702 | 359,534 | 160,883 | 543,287 | 107,741 | 102,687 |
| Other expenses (revenues) | | | | | | | |
| Finance expense | 1,816 | 1,342 | 1,408 | 830 | 19,609 | 440 | 31,052 |
| Exchange loss (gain) | (75,100) | 3 | (632) | (40,136) | (3,199) | 6,728 | 7,708 |
| Non-receivable sales taxes | 11,030 | 15,487 | 15,678 | 9,217 | 5,069 | 7,450 | 6,884 |
| Gain on settlement of payables | (76,961) | - | - | - | - | - | - |
| Non cash listing costs related to the reverse takeover ("RTO") | 13,754,103 | - | - | - | - | - | - |
| | 13,614,888 | 16,832 | 16,454 | (30,089) | 21,479 | 14,618 | 45,644 |
| | | | | | | | |
| Income tax | - | - | - | - | - | - | - |
| Net loss (income) | 14,385,457 | 491,534 | 375,988 | 130,794 | 564,766 | 122,359 | 148,331 |
| | | | | | | | |
| Other comprehensive loss (income) | | | | | | | |
| Currency translation adjustment | (3,814) | (6,283) | (73,736) | 29,693 | 6,753 | (16,488) | (4,575) |
| Other comprehensive loss (income) net of tax | (3,814) | (6,283) | (73,736) | 29,693 | 6,753 | (16,488) | (4,575) |
| | | | | | | | |
| Net loss and comprehensive loss (income) | 14,381,643 | 485,251 | 302,252 | 160,487 | 571,519 | 105,871 | 143,756 |
| | | | | | | | |
| Net loss (income) attributable to: | | | | | | | |
| Shareholders of Cerro de Pasco Resources Inc | 14,381,643 | 485,251 | 302,252 | 160,487 | 571,519 | 105,871 | 143,756 |
| Non-controlling interests | - | - | - | - | - | - | - |
| | | | | | | | |
| Other comprehensive loss (income) attributable to: | | | | | | | |
| Shareholders of Cerro de Pasco Resources Inc | (3,814) | (6,283) | (73,736) | 29,693 | 6,753 | (16,488) | (4,575) |
| Non-controlling interests | - | - | - | - | - | - | - |
| | | | | | | | |
| Basic and diluted loss (earnings) per share: | 0.06 | 0.00 | 0.00 | 0.00 | 0.01 | 0.00 | 0.00 |
| | | | | | | | |
| CONSOLIDATED STATEMENTS OF FINANCIAL POSITION | | | | | | | |
| Cash and cash equivalents | 1,364,140 | 135,624 | 181,698 | 96,218 | 38,441 | 95,120 | 61,231 |
| Property and equipment | 22,886 | 1,045 | 1,086 | 1,058 | 1,028 | - | - |
| Mining properties | 1,110,343 | 1,060,183 | 1,079,142 | 1,051,026 | 722,684 | 766,550 | 798,306 |
| Exploration and evaluation assets | 196,406 | 187,534 | 190,887 | 185,914 | 180,712 | 5,133 | 2,859 |
| Total assets | 2,954,032 | 1,534,143 | 1,636,829 | 1,456,299 | 1,111,031 | 909,337 | 907,199 |
| Total current liabilities | 557,836 | 239,159 | 295,148 | 1,595,612 | 1,461,206 | 723,725 | 723,075 |
| Equity | 2,391,302 | (442,292) | 42,959 | (965,123) | (901,603) | (330,084) | (224,213) |
| | | | | | | | |

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

The net loss of \$491,534 for Q3-2018 is attributable to general and administrative expenses of \$474,702.

The net loss of \$375,988 for Q2-2018 is attributable to general and administrative expenses of \$359,534.

The net loss of \$564,766 for Q4-2017 is attributable to general and administrative expenses of \$543,287.

Results of operations for the three-month period ended December 31, 2018

Net loss

The basic and diluted loss per share for the three-month period ended December 31, 2018 is \$0.06 as compared to \$0.01 for the three-month period ended December 31, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the three-month period ended December 31, 2018, the Company realized a net loss of \$14,385,457 as compared to a net loss of \$564,766 for the three-month period ended December 31, 2017.

The increase of \$13,593,409 for the three-month period ended December 31, 2018 in net loss as compared to 2017 in net loss is attributable to listing costs expenses of \$13,754,103 related to the RTO of October 5, 2018.

Operating expenses

During the three-month period ended December 31, 2018, operating expenses were \$770,569 as compared to \$543,287 for the three-month period ended December 31, 2017.

The increase of \$227,828 for the three-month period ended December 31, 2018 as compared to 2017 in operating expenses is attributable to an increase in the level of activity since October 5, 2018.

Other expenses (revenues)

During the three-month period ended December 31, 2018, the other expenses was \$13,614,888 as compared to other expenses of \$21,479 for the three-month period ended December 31, 2017.

The increase of \$13,593,409 for the three-month period ended December 31, 2018 in other expenses as compared to 2017 in other expenses is attributable to listing costs expenses of \$13,754,103 related to the RTO of October 5, 2018.

CASH FLOWS

Cash flows (used for) from operating activities

Cash flows used for operating activities were \$1,353,552 during the year ended December 31, 2018, an increase of \$1,366,901 as compared to cash flows of \$13,349 from operating activities during the year ended December 31, 2017. The increase of \$1,366,901 is mostly explained by an increase of \$1,140,619 in general and administrative expenses in net loss (\$1,765,688 for the year ended December 31, 2018 as compared to \$625,069 for the year ended December 31, 2017).

Cash flows from financing activities

Cash flows from financing activities were \$2,756,281 during the year ended December 31, 2018, an increase of \$2,185,366 as compared to cash flows of \$570,915 from financing activities during the year ended December 31, 2017. The increase of \$2,185,366 is mostly attributable to an increase of \$1,600,501 of proceeds from private placements (\$1,600,501 for the year ended December 31, 2018 as compared to \$Nil for the year ended December 31, 2017) and to an increase of \$581,530 of increasing of the amount due to a non-related company (\$1,152,445 for the year ended December 31, 2018 as compared to \$570,915 for the year ended December 31, 2017).

Cash flows used for investing activities

Cash flows used for investing activities were \$35,597 during the year ended December 31, 2018, a decrease of \$477,410 as compared to cash flows of \$513,007 used for investing activities during the year ended December 31, 2017. The decrease of \$477,410 is explained by the amount of \$221,476 in cash and cash equivalents acquired through the RTO of October 5, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OTHER FINANCIAL DISCLOSURES

Related party transactions

Please refer to Note 21 of the 2018 consolidated financial statements for a summary of the Company's transactions with related parties period end balances.

Commitments and contingency

Please refer to Note 25 of the 2018 consolidated financial statements for a summary of the Company's commitments and contingencies.

Subsequent events

Please refer to Note 26 of the 2018 consolidated financial statements for a summary of the Company's subsequent events.

Off-financial position arrangements

As at December 31, 2018, the Company had no off-financial position arrangements.

Going concern assumption

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

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

For the year ended December 31, 2018, the Company recorded a net loss of \$15,383,773 (\$730,109 in 2017) and has an accumulated deficit of \$17,413,308 as at December 31, 2018 (\$2,029,535 as at December 31, 2017). Besides the usual needs for working capital, the Company must obtain funds to enable it to meet the timelines of its exploration programs and to pay its overhead and administrative costs. As at December 31, 2018, the Company had a working capital of \$1,063,885 (a negative working capital of \$1,856,027 as at December 31, 2017) consisting of cash and cash equivalents of \$1,364,140 (\$38,441 as at December 31, 2017). Management believes that these funds will not be sufficient to meet the obligations and liabilities of the Company. These uncertainties cast significant doubt regarding the Company's ability to continue as a going concern. Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new equity instruments. Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operations. The recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, is subject to certain conditions: the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to continue the exploration, evaluation, development, construction and ultimately disposal of these assets. During the year ended December 31, 2018, the Company has raised \$1,613,001 from private placements consisting of common shares to fund exploration works and working capital. While management has been successful in raising financing in the past, there is no assurance that it will succeed in obtaining additional financing in the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital management policies and procedures

The Company's capital management objectives are to ensure its ability to continue as a going concern and to maximize the return of its shareholders. The Company's definition of capital includes all components of equity. Capital for the reporting periods under review is summarized in Note 23 and in the consolidated statement of changes in equity. In order to meet its objectives, the Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its exploration and evaluation activities or may slow its activities until conditions improve. No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

Disclosure of outstanding share data

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

CERRO DE PASCO RESOURCES INC.

Disclosure of outstanding share data (as at April 29, 2019)

| | | | | |
|-----------------------------------|--------------------|------------------|-----------------------|-----------------------|
| Outstanding common shares: | 251,569,038 | | | |
| Outstanding share options: | 5,450,000 | | | |
| Average exercise price of: | \$0.400 | | | |
| Average remaining life of: | 4.86 years | | | |
| | Expiry date | Number | Exercise price | Remaining life |
| | | | \$ | (years) |
| | March 7, 2024 | 5,400,000 | 0.40 | 4.86 |
| | March 29, 2024 | 50,000 | 0.40 | 4.92 |
| | | <u>5,450,000</u> | | |
| Outstanding warrants: | 6,633,640 | | | |
| Average exercise price of: | \$0.400 | | | |
| Average remaining life of: | 1.65 years | | | |
| | Expiry date | Number | Exercise price | Remaining life |
| | | | \$ | (years) |
| | December 17, 2020 | 716,000 | 0.40 | 1.64 |
| | December 21, 2020 | 5,917,640 | 0.40 | 1.65 |
| | | <u>6,633,640</u> | | |

RISK AND UNCERTAINTIES

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

Financial instrument risks

Please refer to Note 24 of the 2018 consolidated financial statements for a summary of the Company's financial instruments risks.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Certain Risks associated with the Quiulacocha Tailings and Excelsior Stockpile

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

Exploration and mining risks

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

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

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

Titles to property

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

Permits and licenses

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

Metal prices

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Competition

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

Environmental regulations

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

Conflicts of interest

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

Stage of development

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

Industry conditions

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

Uninsured risks

The Company's business is subject to a number of risks and hazards, including environmental conditions adverse, environmental regulations, political uncertainties, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital needs

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

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

Key employees

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

Canada Customs and Revenue Agency

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

CERTIFICATION OF ANNUAL FILINGS

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

- The President and Chief Executive Officer and the Chief Financial Officer confirm to have reviewed the annual financial statements and the annual MD&A (together, the "annual filings") of the Company for the year ended December 31, 2018.
- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the period presented in the annual filings.