CONSOLIDATED FINANCIAL STATEMENTS

CERRO DE PASCO RESOURCES

For the years ended December 31, 2021, and 2020

Management's Responsibilities over Financial Reporting

The Financial Statements of Cerro de Pasco Resources Inc. (the "Corporation", "Company, or "CDPR") are the responsibility of the Corporation's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and reflect management's best estimates and judgment based on information currently available.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee reviews the results of the consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements have been audited.

Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Shareholders of
Cerro de Pasco Resources Inc.

Opinion

We have audited the consolidated financial statements of Cerro de Pasco Resources Inc. (hereafter "the Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020 and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Louis Berardi.

Raymond Chabot Grant Thornton LLP[1]

Montréal
July 6, 2022

[1] CPA auditor, public accountancy permit no. A115879

Cerro de Pasco Resources Inc.
Consolidated Statements of Comprehensive Loss
(In Canadian dollars)

	Note	As at December 31, 2021	2020
		$	$
Assets			
Current assets:			
Cash and cash equivalents		**12,633,042**	897,979
Cash and cash equivalents – restricted		**1,387,795**	-
Accounts receivable		**11,428,665**	-
Other financial assets		**119,217**	151,560
Other receivables	9	**1,060,843**	112,009
Income and mining taxes receivable		**957,191**	-
Inventories	8	**2,958,095**	-
Prepaid expenses		**829,079**	137,139
Total current assets		**31,373,927**	1,298,687
Non-current assets:			
Cash and cash equivalents – restricted		**1,246,759**	-
Property, plant & equipment	10	**7,436,281**	52,463
Right-of-use assets		**-**	41,506
Mining properties, exploration and evaluation assets	12	**8,503,488**	1,545,931
Other intangibles		**18,969**	-
Total non-current assets		**17,205,497**	1,639,900
Total assets		**48,579,424**	2,938,587
Liabilities and Equity			
Current liabilities:			
Trade accounts payable and other liabilities	13	**18,931,940**	2,818,581
Promissory note	15	**1,331,391**	-
Lease liabilities		**-**	52,811
Balance of purchase payable		**2,145,027**	-
Current portion of provisioning for remediation and mine closure	14	**1,142,845**	-
Current portion of loan	16	**1,640,848**	
Convertible debenture	17	**1,379,837**	813,249
Embedded derivative on convertible debenture		**66,185**	38,465
Total current liabilities		**26,638,073**	3,723,106
Non-current liabilities:			
Loan	16	**812,193**	22,683
Contingent consideration payable		**1,412,160**	-
Provisioning for remediation and mine closure	14	**17,478,614**	-
Warrants – Liability		**37,607**	100,559
Deferred income tax		**67,575**	67,863
Total non-current liabilities		**19,808,149**	191,105
Total liabilities		**46,446,222**	3,914,211
(Deficiency) Equity:			
Share capital	19	**30,615,645**	25,356,132
Warrants	19	**1,171,034**	716,811
Share options	20	**1,925,585**	1,929,737
Contributed surplus		**880,242**	749,130
Deficit		**(32,570,898)**	(29,957,648)
Accumulated other comprehensive income		**111,594**	230,214
Total (deficiency) equity attributable to owners of the parent company		**2,133,202**	(975,624)
Non-controlling interest		**-**	-
Total (deficiency) equity		**2,133,202**	(975,624)
Total liabilities and equity		**48,579,424**	2,938,587

Going concern, see Note 2.
Subsequent events, see Note 33.

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

These financial statements were approved and authorized for issue by the Board of Directors on July 6, 2022.

On Behalf of the Board,

Steven Zadka /s/
Executive Chairman

Guy Goulet /s/
CEO, Director

Cerro de Pasco Resources Inc.
Consolidated Statements of Comprehensive Loss
(In Canadian dollars)

	Note	Year ended December 31, 2021	2020
		$	$
Revenue from Zinc, Lead and Silver Concentrate Sales	21	**9,111,188**	**-**
Cost of Sales		**5,787,674**	**-**
Gross Profit		**3,323,514**	-
Expenses:			
Selling Expenses		**177,988**	-
Costs related to the acquisition of a mining company		**683,158**	-
General and administrative expenses	21	**4,744,624**	7,128,687
Operating loss before other expenses (revenues) and income tax		**2,282,256**	7,128,687
Other expenses (revenues):			
Financial income		**(66,484)**	
Financial expenses	21	**550,629**	124,819
Non-recoverable sales taxes		**77,759**	75,453
Change in fair value of other financial assets		**32,343**	7,187
Change in fair value of warrants and embedded derivative on convertible debenture		**(201,187)**	(17,976)
Write-off of property, plant & equipment		**-**	2,032
Gain on settlement of payables		**(94,685)**	-
Gain on convertible debenture refinancing		**(10,431)**	-
Gain on Bargain Purchase	6	**(713,080)**	-
Government assistance		**(12,170)**	(19,299)
Gain on Covid-19 related rent concessions		**-**	(39,862)
Exchange loss (gain)		**(48,895)**	151,677
		(486,201)	284,031
Loss before income taxes		**1,796,055**	7,412,718
Income and mining taxes	23	**817,195**	33,257
Net loss		**2,613,250**	7,445,975
Other comprehensive loss (income)			
Items that will be reclassified subsequently to profit or loss			
Currency translation adjustment		**118,620**	(166,118)
Other comprehensive loss (income) net of tax		**118,620**	(166,118)
Net loss and comprehensive loss		**2,731,870**	7,279,857
Weighted average number of common shares outstanding		**270,855,089**	260,206,865
Basic and diluted loss per share:		**0.01**	0.03

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

Cerro de Pasco Resources Inc.
Consolidated Statements of Changes in Equity
(In Canadian dollars)

For the Years ended December 31, 2021 and 2020

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	Note	Number of shares outstanding	Share capital	Warrants	Share options	Contributed surplus	Deficit	Accumulated other comprehensive Income (loss)	Total attributable to the owners of the parent company	Total equity
			$	$	$	$	$	$	$	$
Balance as at December 31, 2020		**266,636,294**	**25,356,132**	**716,811**	**1,929,737**	**749,130**	**(29,957,648)**	**230,214**	**(975,624)**	**(975,624)**
Shares and units issued:										
Private placements	19	8,566,557	2,753,433	242,986	-	-	-	-	2,996,419	2,996,419
Consulting fees	19	270,000	89,800	-	-	-	-	-	89,800	89,800
Costs related to the acquisition of a mining company		1,571,429	514,677	35,323	-	-	-	-	550,000	550,000
Acquisition of a mining company	6	10,000,000	2,085,223	-	-	-	-	-	2,085,223	2,085,223
Share issuance costs	19	-	(183,620)	-	-	-	-	-	(183,620)	(183,620)
Warrants issued as part of a promissory note financing	19	-	-	175,914	-	-	-	-	175,914	175,914
Share options granted	19	-	-	-	68,160	-	-	-	68,160	68,160
Share options forfeited	20	-	-	-	(72,312)	72,312	-	-	-	-
Conversion options from convertible debenture refinancing		-	-	-	-	58,800	-	-	58,800	58,800
Transactions with owners		20,407,986	5,259,514	454,223	(4,152)	131,112	-	-	5,840,697	5,840,697
Net earnings (loss) and comprehensive loss for the year		-	-	-	-	-	(2,613,250)	(118,620)	(2,731,870)	(2,731,870)
Balance as at December 31, 2021		**287,044,280**	**30,615,645**	**1,171,034**	**1,925,585**	**880,242**	**(32,570,898)**	**111,594**	**2,133,202**	**2,133,202**
Balance as at December 31, 2019		**253,532,206**	**21,888,502**	**414,887**	**1,094,087**	**355,077**	**(22,511,673)**	**64,096**	**1,304,976**	**1,304,976**
Shares and units issued:										
Private placements	19	12,443,498	3,288,941	678,458					3,967,399	3,967,399
Consulting fees	19	354,590	120,477						120,477	120,477
Share issuance costs	19		(85,022)	38,353					(46,669)	(46,669)
Warrants exercised	19	306,000	143,234	(20,834)					122,400	122,400
Warrants expired	19			(394,053)		394,053			-	-
Share options granted	20				835,650				835,650	835,650
Transactions with owners		13,104,088	3,467,630	301,924	835,650	394,053	-	-	4,999,257	4,999,257
Net loss and comprehensive loss for the year							**(7,445,975)**	**166,118**	**(7,279,857)**	**(7,279,857)**
Balance as at December 31, 2020		**266,636,294**	**25,356,132**	**716,811**	**1,929,737**	**749,130**	**(29,957,648)**	**230,214**	**(975,624)**	**(975,624)**

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

Cerro de Pasco Resources Inc.
Consolidated Statements of Cash Flows
(In Canadian dollars)

	Note	Year ended December 31, 2021	2020
		$	$
Operating activities:			
Net loss		(2,613,250)	(7,445,975)
Adjustments for:			
Income taxes		713,080	33,257
Consulting fees paid through issuance of shares		89,800	120,477
Costs related to the acquisition of a mining company paid through issuance of shares		514,677	-
Costs related to the acquisition of a mining company paid through issuance of warrants		35,323	-
Share-based compensation		68,160	835,650
Change in fair value of other assets		32,343	7,187
Change in fair value of warrants and embedded derivative on convertible debenture		(201,187)	(17,976)
Write-off of property, plant and equipment		-	2,032
Gain on settlement of payables		(94,685)	-
Gain on convertible debenture refinancing		(10,431)	-
Interest on lease liabilities		1,215	19,190
Gain on bargain purchase	6	(713,080)	-
Gain on Covid-19 related rent concessions		-	(39,862)
Effective interest on loan		2,100	(7,317)
Presumed interest on convertible debenture		301,774	39,422
Presumed interest on mine closure provision		5,790	-
Unrealized FX loss (gain)		(29,721)	-
Presumed interest on promissory note		39,946	-
Depreciation of right-of-use assets		40,947	100,492
Depreciation of other intangibles		7,880	-
Depreciation of property, plant and equipment	10	408,439	21,905
Operating activities before changes in working capital items		(1,400,880)	(6,331,518)
Change in trade receivables		(10,635,170)	(71,212)
Change in other receivables		215,736	-
Change in inventories		1,075,303	-
Change in sales tax receivable		9,067	-
Change in prepaid expenses		(611,913)	(70,208)
Change in income and mining taxes receivable		(72,257)	
Change in trade accounts payable and accrued liabilities		492,293	2,253,332
Change in tax payable		-	(27,277)
Change in working capital items		(9,526,941)	2,084,635
Cash flows used for operating activities		(10,927,820)	(4,246,883)
Financing activities:			
Proceeds from private placements		2,996,419	3,967,399
Proceeds from warrants exercised	19	-	122,400
Proceeds from promissory note	19	1,500,000	399,570
Promissory note transaction costs	15	(32,641)	-
Repayment of promissory note	15	-	(399,570)
Proceeds from a loan	16	10,000	30,000
Capital lease repayments		-	(2,676)
Lease liabilities repayments		(52,811)	(82,450)
Interest paid on lease liabilities		(1,215)	(19,190)
Proceeds from issuance of convertible debenture	17	500,000	1,000,000
Convertible debenture issuance costs		-	(69,173)
Share issuance costs	19	(183,620)	(46,669)
Cash flows from financing activities		4,736,132	4,899,641
Investing activities:			
Acquisition of a mining company net of cash received	6	19,011,689	-
Acquisition of property, plant and equipment	6	(375,177)	(12,574)
Acquisition of exploration and evaluation assets	6	(134,634)	-
Acquisition of Other intangibles	6	(6,203)	-
Change in restricted cash		(5,012)	-
Acquisition of mining property, exploration and evaluation assets	6	(311,515)	(136,754)
Cash flows used for investing activities		18,179,148	(149,328)
Net change in cash and cash equivalents		11,987,460	503,430
Cash and cash equivalents, beginning of year		897,979	275,466
Effect of exchange rate fluctuations on cash held in foreign currencies		(252,397)	119,083
Cash and cash equivalents, end of year		12,633,042	897,979
Interest paid		-	47,031

Additional disclosures of cash flows information (Note 26).

The accompanying notes are an integral part of these 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, 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 web site 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") 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.

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 takes into account 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 year ended December 31, 2021, the Company recorded a net loss of $2,613,250 ($7,445,975 in 2020) and has an accumulated deficit of $32,570,898 as at December 31, 2021 ($29,957,648 as at December 31, 2020). As at December 31, 2021, the Company had a positive working capital of $4,735,854 (a negative working capital of $2,424,419 as at December 31, 2020) consisting of cash and cash equivalents of $12,633,042 ($897,979 as at December 31, 2020). Management believes that while these funds will be adequate to operate the Santander mine it may not be sufficient to meet the obligations and commitments of the Company as a whole. These uncertainties cast 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. As in the year ended December 31, 2021, the Company has raised $2,996,419 from private placements consisting of common shares to fund exploration works and working capital ($19,011,6897 net cash achieved in the acquisition of the Santander mining operations). 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 annual consolidated financial statements 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 these consolidated financial statements are based on IFRS issued and in effect as at year end.

Basis of measurement:

The 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 full on 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%
H2-SPHERE GmbH (H2 Sphere")	inactive	Germany	Research	80%
Subsidiary 1 - Zippler Inc. ("Zippler")	Inactive	Canada	none	100%
Subsidiary 2 - Zencig Corp. ("Zencig")	Inactive	USA	none	70%

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars. The functional currency of Cerro de Pasco Resources Inc. and the Subsidiary 1 is the Canadian dollars. The functional currency of Cerro de Pasco Resources Sucursal del Perú, Santander and the Subsidiary 2 is the US dollars. The functional currency of H2-Sphere GmbH is the Euro.

Use of estimates and judgements:

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

Estimates and underlying assumptions are reviewed on an ongoing basis based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(a) Significant management judgment:

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effects on the financial statements.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (see Note 25).

(b) Estimation uncertainty:

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities and expenses is provided below. Actual results may be substantially different.

Impairment of exploration and evaluation assets

Determining if there are any facts or circumstances indicating an impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash- generating units must be estimated.

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether a technically or economically viable extraction operation can be established, the probability that the expense will be recovered from either future exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of existence of reverses, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-down in profit or loss in the period when the new information become available.

Impairment assessment of property, plant and equipment

Impairment assessments require the use of estimates and assumptions such as future zinc, lead and silver prices (considering current and historical prices, price trends and related factors), operating and capital costs, discount rates, foreign exchange rates, closure and remediation costs, estimated life-of mines, mineral reserves and resources including exploration potential and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or cost generating units ("CGUs"). Such circumstances may give rise to an impairment or a reversal of previous impairments with the impact

Reclamation and remediation provision

The ultimate costs for reclamation and remediation are uncertain, and cost estimates can vary in response to many factors, including estimates of the nature, extent and timing of remediation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, the risk-free interest rate for discounting future cash flows, foreign exchange rates, and estimates of the underlying currencies in which the provisions will ultimately be settled. The Company estimates its costs based on studies using current restoration standards and techniques, and the provision at the reporting date represents management's best estimate of the present value of the future remediation costs required.

Useful lives of mineral properties, plant and equipment

Estimated mineral resources are used in determining the depreciation of certain assets. This results in depreciation expense proportional to the depletion of the anticipated remaining life-of-mine production. The estimate of the remaining lives of the Company's producing mineral properties is based on a combination of quantitative and qualitative factors including historical production and financial results, mineral resources reported under National Instrument 43-101 ("NI 43-101"), estimates of ore mineral feed production from areas not included in the NI 43-101 reports, and management's intent to operate the property. The estimated remaining lives of the producing mineral properties are used to calculate amortization and depletion expense, forecast the timing of the payment of reclamation and remediation costs and perform impairment or impairment reversal testing to review the carrying values of assets and/or CGUs.

There are numerous uncertainties inherent in estimating the remaining lives of the producing mineral properties, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, or production costs may change the economic status of the resources, estimates of production from areas not included in the NI 43-101 reports, and management's intent to operate the property, and may ultimately have a material impact on the estimated remaining lives of the properties.

Share-based compensation

The estimation of share-based compensation costs requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (see Note 19).

Basis of depletion of mining sites in production

The mining sites in production are depleted according to the units-of-production method to write down the cost to residual value. Management estimates the residual value of property, plant and equipment. The depletion rate is based on the Company' s mineral resources. The mineral resources are estimates of the amount of ore that can be extracted form the Company's properties. The estimating of mineral resources is a subjective process and the accuracy of the mineral resources is a function of the quantity and quality of available data, and the assumptions used and judgments made interpreting geological model. Changes in the assumptions used in estimating the mineral resources may affect the net value of property, plant and equipment, provisions for restoration of mining sites and the amortization and depletion expense.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by market-driven changes that may reduce future selling prices.

Provision and contingent liabilities

Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty.

Purchase price allocation related to acquisition of Santander

Management uses various valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability (see Note 6)

The fair value of assets acquired and liabilities assumed in a business combination are estimated based on information available at the date of acquisition and involves considerable judgement in determining the fair values assigned to property, plant, equipment and intangible assets acquired and liabilities, including contingent consideration, assumed on acquisition. The determination of these fair values involves analysis including the use of discounted cash flow models, estimated future margins, future growth rates and estimated future customer attrition. There is measurement uncertainty inherent in this analysis, particularly in the fair value measurement of contingent consideration, and actual results could differ from estimates.

4. CHANGES IN ACCOUNTING POLICY:

There were no accounting changes in accounting policy to disclose during the year ended December 31, 2021.

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 maybe 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 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 Canadian dollars (see Note 3 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 Canadian dollars are translated into Canadian dollars on consolidation. On consolidation, assets and liabilities are translated into Canadian 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 loss and recognized in Accumulated other comprehensive 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, cash and cash equivalent – restricted, accounts receivable, 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.

(d) 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.

A 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 notes, balance of purchase price payable, convertible debenture and loan. The Company's financial liabilities designated at FVTPL include warrants and embedded derivative on convertible debenture.

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.

Inventories

Inventories comprise finished products, stockpile and supplies. Finished products and 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.

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 reserves and economically recoverable resources for machinery and plant equipment, mining unit and asset retirement cost. Other operations, the 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.

Works in progress are not depreciated.

The estimated useful lives are as follows:

	Depreciation method	Years of useful life 2021	2020
Buildings	Straight-line	10	
Mining unit	PU	4	
Plant	PU	4	
Facilities	Straight-line	10	
Other equipment	Straight-line	10	
Computer equipment	Straight-line	3 to 5	3
Communication equipment	Straight-line	5	
Software	Straight-line	2	2
Furniture and fixture	Straight-line	5 to 10	5
Asset retirement cost	PU	4	

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. 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 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 requirement.

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 environment 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. To take into account the estimated cash flows required to settle its obligations arising from environmentally acceptable closure plans (such as dismantling and demolition of infrastructures, removal of residual matter and site restoration), provisions are recognized in the year, when the Company has an actual restoration mining site obligation and it is likely that an outflow will be required in settlement of the obligation and the obligation is reasonably determinable. These provisions are determined on the basis of the best estimates of future costs, based on information available on the reporting date.

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

As at December 31, 2021, the Company had the provision for remediation and mine closure. As at December 31, 2020 the Company had no contingent liabilities and therefore no provision was recorded..

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.

Under the provisions of tax legislation relating to flow-through shares, the Company is required to renounce its right to tax deductions for expenses related to exploration activities to the benefit of the investors. When the Company has renounced to its tax deductions and has incurred its admissible expenditures, the sale of tax deductions is recognized in profit or loss as a reduction to deferred tax expense.

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 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:

Since the issuance of the Company’s audited consolidated financial statements for the year ended December 31, 2019, the IASB and IFRIC have issued no additional new and revised standards and interpretations which are applicable to the Company.

December 31, 2021 (In Canadian dollars unless otherwise noted)

6. BUSINESS ACQUISITION:

On December 3, 2021, the Company completed the acquisition of all of the outstanding common shares of Trevali Peru S.A.C. (“Santander” or “Trevali Peru”). The acquisition of Trevali Peru (the “Transaction”) provides the Company with an operating mine with pre-existing infrastructure and sales revenue. The company plans to further develop the mine to access the adjacent Santander Pipe, a higher-grade orebody. The company believes it will be able to mine the Santander Pipe within the next three years. Trevali Peru is a Peruvian entity whose main asset is the Santander Mine, located in Peru and comprising of an underground mine, a 2,500-tonne-per-day processing mill, a conventional sulphide flotation mill, and associated infrastructure

The aggregate consideration paid by CDPR for the acquisition of Trevali Peru consisted of:

- a cash payment in the amount of $1,000,000.
- the issuance of 10,000,000 common shares of CDPR, valued at $ 2,085,223;
- a net smelter royalty equal to 1% on all new deposits beyond those resources currently defined at the Magistral and Santander Pipe deposits; and
- an additional cash payment of US 2,500,000, on or before January 9, 2023, in the event that, for the period beginning on January 1, 2022, and ending on December 31, 2022 (inclusive), the average official spot price for zinc on the London Metal Exchange is equal to or greater than US $1.30 per pound with a fair value of $1,431,355.
- The transaction costs for this acquisition were $683,158.

The following summarizes the preliminary allocation of the consideration for this acquisition:

Fair value of consideration transferred	$
Amount settled in cash	5,036,226
Amount payable due	2,174,185
Common stock (10,000,000 shares)	2,085,223
Fair value of contingent consideration	1,431,355
Total	**10,726,990**
Recognised amounts of identifiable net assets	
Cash and cash equivalents	24,047,916
Cash and cash equivalents - restricted	1,515,794
Accounts receivable	900,070
Other receivables	1,211,845
Income and mining taxes receivable	924,787
Inventories	4,074,581
Prepaid taxes	61,145
Total current assets	**32,736,138**
Cash and cash equivalents - restricted	1,154,462
Property, plant and equipment	7,275,923
Mineral property	6,674,736
Deferred tax assets	713,080
Other Intangibles	20,828
Total non-current assets	**15,125,949**
Trade and other payables	(15,971,599)
Total current liabilities	**(15,971,599)**
Loans	(2,431,609)
Provisioning for remediation and mine closure	(18,731,889)
Total non-current liabilities	**(21,163,498)**
Identifiable net assets	**10,726,990**

December 31, 2021 (In Canadian dollars unless otherwise noted)

Gain on bargain purchase	**(713,080)**
Consideration transferred settled in cash	(5,036,226)
Cash and cash equivalents acquired	24,047,916
Net cash outflow on acquisition	**19,011,689**
Acquisition costs charged to expenses	683,158

The consolidated statements of earnings for the year ended December 31, 2021, includes supplementary revenues of CA $9.1 million and net earnings of CA $3.4 million attributable to the business acquired.

If the acquisition had taken place at the beginning of the 2021 fiscal year, management estimates that the acquired business would have provided revenues of CA $78.9 million and net earnings of CA $27.2 million.

7. INTERESTS IN SUBSIDIARIES:

The Company's consolidated financial statements include two subsidiaries with a non-significant NCI.

Name	Proportion of ownership interest and voting rights held by NCI	Total Comprehensive Loss held by NCI	Accumulated NCI
Zencig	30%	-	-
H2 -Sphere GMBH	20%	-	-

No dividends were paid to the NCI during the years ended December 31, 2021 and 2020.

There were no net loss nor cash flows attributable to the Non-controlling interests for the years ended December 31, 2021 and 2020.

8. 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 the inventories components can be detailed as follows:

	December 31 2021	December 31 2020
	$	$
Finished products	388,802	-
Stockpile	172,956	-
Supplies	2,396,337	-
	2,958,096	-

9. OTHER RECEIVABLES:

	December 31 2021	December 31 2020
	$	$
Sales tax receivable (1)	58,119	67,264
Other receivable		
Amount receivable from Genius Metals Inc. / Professional Fee Sharing	-	23,530
Others	1,002,724	21,215
	1,060,843	**112,009**

(1) Sales tax receivable includes only receivables in Canada

December 31, 2021 (In Canadian dollars unless otherwise noted)

10. PROPERTY, PLANT AND EQUIPMENT:

The movement of this item and its accumulated depreciation for the years ended December 31,2021 and 2020 has been as follows:

YEAR 2021

Cost	Opening Balance	Business Acquisition	Additions	Write-off	Exchange	Closing Balance
Buildings	19,235	9,518,573	8,958	-	(162)	9,546,604
Mining unit	-	51,005,849	-	-	-	51,005,849
Plant	-	21,876,178	-	-	-	21,876,178
Facilities	-	9,354,057	-	(19,242)	-	9,334,815
Other equipment	-	2,978,371	242,447	(24,373)	-	3,196,445
Computer Equipment	21,847	140,100	518	-	(35)	162,430
Software	11,034	-	-	-	(35)	10,999
Communication Equipment	-	214,639	-	-	-	214,639
Furniture and Fixtures	39,729	286,201	8,732	-	49	334,711
Work in progress	-	746,583	114,522	-	-	861,105
Asset Retirement Cost	-	-	141,406	-	-	141,406
Total Cost	**91,845**	**96,120,551**	**516,583**	**(43,615)**	**(183)**	96,685,181

Accumulated Depreciation and Amortization	Opening Balance	Business Acquisition	Depreciation/ Amortization	Depreciation/ Amortization	Exchange	Closing Balance
Buildings	(12,148)	(7,250,319)	(401,724)	-	(49)	(7,664,240)
Mining unit	-	(48,599,714)	(68,151)	19,242	-	(48,648,623)
Plant	-	(20,914,579)	(66,253)	24,373	-	(20,956,459)
Facilities	-	(8,894,853)	(36,646)	-	-	(8,931,499)
Other equipment	-	(2,560,445)	(79,408)	-	-	(2,639,853)
Computer Equipment	(11,574)	(134,693)	(2,490)	-	(5)	(148,762)
Software	(2,945)	-	(1,204)	-	(2)	(4,151)
Communication Equipment	-	(206,529)	(71)	-	-	(206,600)
Furniture and Fixtures	(12,715)	(283,496)	(5,201)	-	(10)	(301,422)
Asset Retirement Cost	-	-	252,709	-	-	252,709
Total Depreciation	(39,382)	(88,844,628)	(408,439)	43,615	(66)	(89,248,900)
Net Cost	52,463	7,275,923	108,144	-		7,436,281

December 31, 2021 (In Canadian dollars unless otherwise noted)

YEAR 2020

Cost	Opening Balance	Additions	Write-off	Return	Exchange	Closing Balance
Buildings	20,427	-	-	(872)	(320)	19,235
Computer Equipment	21,726	3,898	(3,590)	-	(187)	21,847
Software	11,201	-	-	-	(167)	11,034
Furniture and Fixtures	34,520	5,708	-	-	(498)	39,729
	87,874	9,606	(3,590)	(872)	(1,172)	91,845

Accumulated Depreciation and Amortization	Opening Balance	Depreciation/ Amortization	Write-off	Return	Exchange	Closing Balance
Buildings	(2,971)	(9,803)	-	-	626	(12,148)
Computer Equipment	(8,007)	(5,204)	1,558	-	79	(11,574)
Software	(1,653)	(1,340)	-	-	48	(2,945)
Furniture and Fixtures	(7,290)	(5,558)	-	-	133	(12,715)
	(19,921)	(21,905)	1,558	-	886	(39,382)
Net Cost	67,953					52,463

11. RIGHT-OF-USE ASSETS:

		Office Spaces
		$
Cost	As at December 31, 2019	208,968
	Exchange	(3,163)
	As at December 31, 2020	205,805
	Exchange	-
	As at December 31, 2021	205,805
Accumulated depreciation	As at December 31, 2019	68,788
	Depreciation	100,492
	Exchange	(4,981)
	As at December 31, 2020	164,299
	Depreciation	40,947
	Exchange	559
	As at December 31, 2021	205,805
Net book value		
	As at December 31, 2020	41,506
	As at December 31, 2021	-

12. MINING PROPERTIES, EXPLORATION AND EVALUATION ASSETS:

Mining properties, Exploration and Evaluation assets by properties are detailed as follows:

	December 31 2020	Business Acquisition	Additions	Exchange	December 31 2021
	$		$	$	$
Quiulacocha Tailings and Excelsior Stockpile					
Mining properties	1,362,449		260,870	(23,224)	1,600,095
Exploration and evaluation	183,482	-	-	(778)	182,704
Santander					
Exploration and evaluation	-	6,674,736	134,634	(88,681)	6,720,689
	1,545,931	**6,674,736**	**395,504**	**(112,683)**	**8,503,488**

December 31, 2021 (In Canadian dollars unless otherwise noted)

	December 31 2019	Exploration costs	Exchange	December 31 2020
	$	$	$	$
Quiulacocha Tailings and Excelsior Stockpile				
Mining properties	1,389,843		(27,394)	1,362,449
Exploration and evaluation	187,171	-	(3,689)	183,482
	1,577,14	**-**	**(31,083)**	**1,545,931**

Quiulacocha Tailings and Excelsior Stockpile, Cerro de Pasco, Peru:

CDPR's owns a 100% interest in the El Metalurgista Concession (where the so-called Quiulacocha Tailings and Excelsior Stockpile are located), located in Cerro de Pasco, Peru (the "Property"). The Property consist of Tailings, stockpiles and metal slag generated by legacy mining operations at the Cerro de Pasco Mine (Pb-Zn-Ag-Cu-Au) located 310 km from Lima, in east-central Peru.

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

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

13. 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 2021	December 31 2020
	$	$
Trade accounts payable and accrued liabilities:		
To directors	37,338	59,910
To officers	230,170	406,578
Income and mining taxes	518,373	-
Trade accounts payable	14,414,380	971,264
Source deductions and contributions	1,434,826	1,252,567
Accrued royalties payable	518,373	-
Employee benefits payable	377,281	-
Other payables and accrued expenses	353,486	-
Payroll Tax Withholdings	50,756	-
Profit sharing accrual	444,584	-
Rent Payable	36,167	-
Trade Association	22,999	-
Vacation accrual	493,207	-
	18,931,940	2,818,581

December 31, 2021 (In Canadian dollars unless otherwise noted)

14. PROVISION FOR REMEDIATION AND MINE CLOSURE:

At December 31, the movement is as follows:

	December 31 2021	December 31 2020
	$	$
Opening balance	-	-
Business acquisition	18,731,889	-
Accretion expense	5,790	-
Variation due to change in key assumptions used	141,406	-
Change due to currency exchange	(257,626)	-
Closing balance	18,621,459	-
Current portion	1,142,845	-
Non-current portion	17,478,614	-

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 to 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 2021	December 31 2020
	$	$
Estimated costs	18,621,459	-
Useful life of mine	4	-
Claim period (years)	9	-
Discount rate (Risk free rates)	1.26%	-
Inflation rate	6.20%	-

As at December 31, 2021, in compliance with the provisions of the Regulations for the Closure of Mines approved by Supreme Decree No. 033-2005-EM, the Company's had letters of guarantee issued in favor of the Peruvian Ministry of Energy and Mines for US$11,516,713 ($14,935,000). In February 2022, the Company increased the guarantee to US$14,913,975 ($19,340,000).

15. PROMISSORY NOTES:

On February 6, 2020, the Company entered into a promissory note agreement with Alpha Capital Anstalt for USD $300,000 (CAD $399,570), which bears interest at 12% annually until the maturity date (April 2020) and 18% annually after the maturity date. On June 19, 2020 and September 30, 2020, the Company repaid the full principal amount of USD $300,000 (CAD $402,135). As at December 31, 2020, an amount of CAD $2,565 was recognized in the P&L as exchange loss. The interest paid amounted to USD $21,009 (CAD $27,663) and was recognized in the P&L as finance expense.

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.

16. LOAN:

	December 31 2021	December 31 2020
	$	$
Reactiva Peru Loan Program (a)	2,418,258	-
Canada Emergency Business Account	34,783	22,683
	2,453,041	22,683
Current portion	1,640,848	22,683
Non current	812,193	-

(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 (equivalent to CAD 3,193,770) 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.

17. CONVERTIBLE DEBENTURE:

	December 31 2021	December 31 2020
Convertible debenture	$	$
Convertible debenture capital of $1,500,000, bearing interest at 10% payable annually and maturing on June 18, 2022	1,379,837	813,249
	1,379,837	813,249
Current portion of convertible debenture	1,379,837	813,249
Non-current portion of convertible debenture	-	-

On October 15, 2020, the Company issued unsecured convertible debenture with a face value of $1,000,000 and 1,857,143 warrants for a total consideration of $1,000,000. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.60 until October 15, 2022. 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 or loss.

The convertible debenture has an effective rate of 32.25% and is convertible at the holder's option at $0.60 per share. The debenture agreement also includes a 5% redemption fee if at maturity the Company's shares are trading at $0.60 or less, based on the average of the last 20 trading days. For accounting purposes, this penalty represents an embedded derivative and must be accounted for separately as a financial liability at fair value through profit or loss.

The Company incurred costs of $69,173 for the issuance of this debenture. The fair value of the convertible debenture measured as at October 15, 2020 is $773,827, net of issuance costs of $69,173, embedded derivative on the convertible debenture of $35,775 and warrants of $121,225. No value was attributed to the conversion option

The initial value of the warrants was determined using the Black & Sholes evaluation model based on the following assumptions: Share price of $0.37, exercise Price of $0.60, risk-free interest rate of 0.23%, Expected life of 2 years, expected volatility of 61%. The expected volatility used was determined using historical price volatility of the Company.

December 31, 2021 (In Canadian dollars unless otherwise noted)

On June 15, 2021, the Company and the debenture holder agreed to refinance the convertible debenture and to cancel the 1,857,143 warrants issued in October 2020. This refinancing is considered an extinguishment for accounting purposes and the transaction is recorded at fair value. The value on June 15, 2021, was $914,670 for the convertible debenture, $44,797 for the embedded derivative and $ 37,355 for the warrants.

The new terms of the unsecured convertible debenture has a face value of $1,500,000 (an increase of $500,000 as compared to the previous face value of $1,000,000) and 1,857,143 warrants were issued due June 18, 2022, but as of the filing no default notice has been received. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.50 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 or loss.

Under the new terms, the fair value of the components as at June 15, 2021 is $1,263,188 for the debenture, $57,125 for the embedded derivative on the convertible debenture , $108,830 for the warrants and $58,800 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, exercise Price of $0.50, 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 historical price volatility of the Company.

18. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:

	Lease liabilities	Promissory note	Loan	Convertible debentures	Embedded derivative on convertible debenture	Warrants	Total
Balance as at December 31, 2020	52,811	-	22,683	813,249	38,465	100,559	1,027,767
Cash flows:							
Proceeds	-	1,500,000	10,000	500,000	-	-	2,010,000
Repayment	(52,811)	-	-	-	-	-	(52,811)
Transaction costs	-	(32,641)	-	-	-	-	(32,641)
Exchange	-	-	(13,250)	-	-	-	(13,250)
Non-cash:							
Effective interest on loan	-	39,946	2,100	301,774	-	-	343,820
Conversion option	-	-	-	(58,800)	-	-	(58,800)
Business acquisition	-	-	2,431,609	-	-	-	2,431,609
Fair value-initial	-	-	-	(165,955)	57,125	108,830	-
Value of warrants	-	(175,914)	-	-	-	-	(175,914)
Gain on convertible debenture refinancing	-	-	-	(10,431)	-	-	(10,431)
Change in fair value	-	-	-	-	(29,405)	(171,782)	(201,187)
Balance as at December 31, 2021	-	1,331,391	2,453,142	1,379,837	66,185	37,607	5,268,162

December 31, 2021 (In Canadian dollars unless otherwise noted)

	Obligation under capital lease	Lease liabilities	Promissory note	Loan	Convertible debentures	Embedded derivative on convertible debenture	Warrants	Total
Balance as at December 31, 2019	2,676	174,764	-	-	-	-	-	177,440
Cash flows:	-	-	-	-	-	-	-	
Proceeds	-	-	399,750	30,000	1,000,000	-	-	1,429,750
Repayment	(2,676)	(82,450)	(399,750)	-	-	-	-	(484,876)
Transaction costs	-	-	-	-	(57,505)	(2,659)	(9,009)	(69,173)
Gain on Covid-19 related concessions	-	(39,862)	-	-	-	-	-	(39,862)
Exchange	-	359	-	-	-	-	-	359
Non-cash:								
Effective interest on loan	-	-	-	(7,317)	39,422	-	-	32,105
Fair value-initial	-	-	-	-	(168,668)	38,434	130,234	-
Change in fair value	-	-	-	-	-	2,690	(20,666)	(17,976)
Balance as at December 31, 2020	-	52,811	-	22,683	813,249	38,465	100,559	1,027,767

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, 2021 the Company had 287,044,280 issued and outstanding common shares (December 31, 2020 - 266,636,294)

Transactions during the year ended December 31, 2021:

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

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

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

On April 8, 2021, the Company concluded a private placement by issuing 3,395,000 units at a price of $0.35 per unit for net proceeds of $1,106,642 after deducting share issuance costs of $81,608. A finder's fee of $80,728 was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 3,395,000 common shares and 1,697,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 until April 8, 2023. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $90,847 based on the Black- Scholes option pricing model.

On April 22, 2021, the Company concluded a private placement by issuing 3,022,128 units at a price of $0.35 per unit for net proceeds of $996,235 after deducting share issuance costs of $61,510. A commission of $20,213 and a finder's fee of $40,390 was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 3,022,128 common shares and 1,511,063 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 until April 22, 2023. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $84,611 based on the Black-Scholes option pricing model.

On April 30, 2021, the Company concluded a private placement by issuing 1,064,429 units at a price of $0.35 per unit for net proceeds of $357,125 after deducting share issuance costs of $15,425. A finder's fee of $14,088 was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 1,064,429 common shares and 532,214 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 until April 30, 2023. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $30,827 based on the Black- Scholes option pricing model.

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

On May 27, 2021, the Company concluded a private placement by issuing 1,085,000 units at a price of $0.35 per unit for net proceeds of $354,673 after deducting share issuance costs of $25,077. A finder's fee of $24,500 was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 1,085,000 common shares and 542,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 until May 27, 2023. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $36,701 based on the Black- Scholes option pricing model.

On July 12, 2021, the Company issued to service providers 50,000 common shares valued at $14,500 for business development consultancy and consulting fees.

On August 19, 2021, the Company issued to service providers 30,000 common shares valued at $7,950 for business development consultancy and consulting fees.

On November 18, 2021, the Company issued 30,000 common shares valued at $8,700 for business development consultancy and consulting fees

On December 3, 2021, the Company issued 10,000,000 common shares valued at $2,085,233 for the acquisition of a mining company.

On December 20, 2021, the Company issued 1,571,429 units as finder's fee related to the acquisition of a mining company of $550,000. Each unit consists of one common share and one-half warrant for a total of 1,571,429 common shares and 785,714 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 until December 20, 2023. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $35,323 based on the Black- Scholes option pricing model.

Transactions during the year ended December 31, 2020:

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

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

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

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

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

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

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

On July 2, 2020, the Company concluded a private placement by issuing 1,812,034 units at a price of $0.30 per unit for net proceeds of $532,504 after deducting share issuance costs of $11,106. A commission of $5,994 was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 1,812,034 common shares and 1,812,034 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 until July 2, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $98,707 based on the Black- Scholes option pricing model.

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

On August 21, 2020, the Company concluded a private placement by issuing 1,128,130 units at a price of $0.30 per unit for net proceeds of $337,295 after deducting share issuance costs of $1,145. No commission was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 1,128,130 common shares and 1,128,130 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 until August 21, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $57,107 based on the Black-Scholes option pricing model.

On August 28, 2020, the Company concluded a private placement by issuing 3,333,334 units at a price of $0.30 per unit for net proceeds of $999,198 after deducting share issuance costs of $802. No commission was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 3,333,334 common shares and 3,333,334 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 until August 28, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $188,936 based on the Black-Scholes option pricing model. As part of this private placement, the Company also issued a total of 250,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at $0.365 per share until August 28, 2022. These warrants have been recorded at a value of $30,842 based on the Black-Scholes option pricing model. As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $31,644 including the fair value of the broker warrants of $30,842.

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

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

December 31, 2021 (In Canadian dollars unless otherwise noted)

Warrants:

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

	December 31 2021		December 31 2020	
	Number of outstanding warrants	Weighted average exercise price	Number of outstanding warrants	Weighted average exercise price
		$		$
Outstanding at beginning	14,672,441	0.53	6,633,640	0.40
Granted	9,926,134	0.50	14,672,441	0.53
Exercised	-	-	(306,000)	0.40
Expired / Cancelled	(1,857,143)	0.60	(6,327,640)	0.40
Outstanding at end	22,741,432	0.52	14,672,441	0.53

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

Expiry date	Number of outstanding warrants	Exercise price	Remaining life
		$	(years)
February 28, 2022	1,300,210	0.65	0.2
March 6, 2022	1,080,500	0.65	0.2
June 15, 2022	3,711,090	0.45	0.5
June 16, 2022	200,000	0.50	0.5
July 2, 2022	1,812,034	0.50	0.5
August 21, 2022	1,128,130	0.50	0.6
August 28, 2022	3,333,334	0.50	0.7
August 28, 2022	250,000	0.365	0.7
April 8, 2023	1,697,500	0.50	1.3
April 22, 2023	1,511,063	0.50	1.3
April 30, 2023	532,214	0.50	1.3
May 27, 2023	542,500	0.50	1.4
June 15, 2023	1,857,143	0.50	1.5
December 20, 2023	785,714	0.50	2.0
November 26, 2024	3,000,000	0.50	2.9
	22,741,432	0.52	1.1

December 31, 2021 (In Canadian dollars unless otherwise noted)

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

Expiry date	Number of outstanding warrants	Exercise price	Remaining life
		$	(years)
February 28, 2022	1,300,210	0.65	1.2
March 6, 2022	1,080,500	0.65	1.2
June 15, 2022	3,711,090	0.50	1.5
June 16, 2022	200,000	0.50	1.5
July 2, 2022	1,812,034	0.50	1.5
August 21, 2022	1,128,130	0.50	1.6
August 28, 2022	3,333,334	0.50	1.7
August 28, 2022	250,000	0.37	1.7
October 15, 2022	1,857,143	0.60	1.8
	14,672,441	0.53	1.5

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

	December 31 2021	December 31 2020
	$	$
Weighted average fair value of warrants granted	0.5142	0.0577

	December 31 2021	December 31 2020
Weighted average expected dividend yield	0%	0%
Weighted average share price at grant date	$0.34	$0.34
Weighted average expected volatility (1)	53.96%	62.12%
Weighted average risk-free interest rate	0.29%	0.38%
Weighted average exercise price at grant date	$0.50	$0.54
Weighted average expected life	2.0 years	2.0 years

20. SHARE-BASED COMPENSATION:

Share option plan:

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

December 31, 2021 (In Canadian dollars unless otherwise noted)

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

		December 31, 2021		December 31, 2020
	Number of outstanding share options	Weighted average exercise price	Number of outstanding share options	Weighted average exercise price
		$		$
Outstanding at beginning	10,368,500	0.40	5,668,500	0.40
Granted	600,000	0.43	4,700,000	0.40
Forfeited	(373,500)	0.40	-	-
Outstanding at end	10,595,000	0.40	10,368,500	0.40
Exercisable at end	10,595,000	0.40	10,368,500	0.40

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

Expiry date	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life
			$	(years)
March 7, 2024	5,400,000	5,400,000	0.40	2.2
March 29, 2024	50,000	50,000	0.40	2.2
August 19, 2023	200,000	200,000	0.40	1.6
August 28, 2023	200,000	200,000	0.40	1.7
August 28, 2025	4,145,000	4,145,000	0.40	3.7
March 10, 2023	200,000	200,000	0.40	1.2
May 6, 2024	200,000	200,000	0.50	2.3
September 16, 2024	200,000	200,000	0.40	2.8
	10,595,000	10,595,000	0.40	2.8

December 31, 2021 (In Canadian dollars unless otherwise noted)

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

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

2021:

On March 10, 2021, the Company granted 200,000 share options to consultants at an exercise price of $0.40 per share, expiring on March 10, 2023. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at $0.092 per share option at the grant date for a total of $18,400 using the Black-Scholes option pricing model.

On May 6, 2021, the Company granted 200,000 share options to consultants at an exercise price of $0.50 per share, expiring on May 6, 2024. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at $0.145 per share option at the grant date for a total of $29,060 using the Black-Scholes option pricing model.

On September 16, 2021, the Company granted 200,000 share options to a consultant at an exercise price of $0.40 per share, expiring on September 16, 2024. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at $0.104 per share option at the grant date for a total of $20,700 using the Black-Scholes option pricing model.

2020:

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

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

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

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

	December 31, 2021	December 31, 2020
	$	$
Weighted average fair value of share options granted	0.1136	0.1778

December 31, 2021 (In Canadian dollars unless otherwise noted)

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

	December 31, 2021	December 31, 2020
Weighted average expected dividend yield	0%	0%
Weighted average share price at grant date	$0.36	$0.37
Weighted average expected volatility (1)	59.82%	61.31%
Weighted average risk-free interest rate	0.43%	0.39%
Weighted average exercise price at grant date	$0.43	$0.40
Weighted average expected life	2.67 years	4.83 years

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

21. INFORMATION REGARDING STATEMENTS OF OPERATIONS COMPREHENSIVE LOSS

(a) Sales

Sales for the years ended December 31, 2021 and 2020 comprise:

	December 31, 2021	December 31, 2020
Lead and silver concentrates	1,188,468	-
Zinc concentrates	7,922,720	-
	9,111,188	-

All sales are made to one customer in Peru – See Note 31 credit risk.

(b) Cost of goods sold of $5,787,674 for the period ending December 31, 2021 is attributed sale of concentrates from the Santander mining unit that includes $ 357,647 of depreciation of property, plant and equipment and $7,880 depreciation of intangible assets.

(c) Selling expenses of $177,968 for the period ending December 31, 2021 is attributed to $172,425 transportation expenses and remainder of $5,563 related laboratory and sample analysis expenses of the Santander mining unit.

(d) Costs related to the acquisition of a mining company. of $683,158 is attributed to acquisition of the Santander mining unit.

December 31, 2021 (In Canadian dollars unless otherwise noted)

(e) Expenses recognized for employee benefits are analyzed bellow:

	December 31, 2021	December 31, 2020
	$	$
Wages, salaries	1,715,524	1,484,602
Director's fees and salaries	136,827	93,324
Share-based compensation	68,160	835,650
Less: allocated costs	(25,334)	(27,113)
	1,895,177	2,386,463

(f) General and administrative expenses by nature:

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

	December 31, 2021	December 31, 2020
	$	$
General and administrative expenses:		
Salaries and employee benefit expense	1,715,524	1,484,602
Management and consulting fees	1,532,526	2,561,379
Professional fees	459,737	586,470
Business development	401,549	1,000,957
Rent and office expenses	244,319	181,884
Registration, listing fees and shareholders information	99,515	130,010
Project implementation cost	131,554	225,338
Share-based compensation	68,160	835,650
Depreciation of right-of-use assets	40,947	100,492
Depreciation of property and equipment	50,792	21,905
	4,744,624	7,128,687

December 31, 2021 (In Canadian dollars unless otherwise noted)

(g) Finance expenses:

Finance expenses recognized in the net loss of the year is as follows:

	December 31, 2021	December 31, 2020
	$	$
Fines, penalties, bank charges & other interest	14,308	15,466
Interest on lease liabilities	1,215	19,190
Interest on promissory note	6,476	27,663
Interest on loan	34,653	1,458
Interest on convertible debenture	127,607	21,096
Presumed interest on convertible debenture	301,704	39,946
Presumed interest on promissory note	32,641	-
Presumed interest on mine closure provision	5,790	-
Finance expenses	550,628	124,819

December 31, 2021 (In Canadian dollars unless otherwise noted)

22. SEGMENT REPORTING:

The Company presents and discloses segment information based on information that is regularly reviewed by the chief operating decision- maker, i.e. the President, the Chief Executive Officer and the Board of Directors for business activities from which it may earn revenues and/or incur expenses from which discrete financial information is available.

During the year ended December 31, 2020, the Company only had two major operating segments which consist in the mining activities in addition to its general corporate activities. During 2020, the bulk of the non-current assets were held in Peru.

During the year ending December 31, 2021, the Company has determined that it had three segments:

1) mining production of Santander;

2) exploration, evaluation and development; and

3) Corporate

Management evaluates segment performance based on segment operating income (loss). Significant information relating to the Corporation's reportable operating segments is summarized in the tables below: reportable operating segments is summarized in the tables below:

			December 31, 2021
	Total non-current assets	Total assets	Total liabilities
	$	$	$
Production (Santander)	1,246,759	39,349,612	37,365,292
Exploration, evaluation, and development (Quiulacocha and Excelsior)	8,503,488	8,866,252	1,898,041
Coporate (Canada)	7,455,250	363,560	7,182,889
Total per consolidated statement of financial position	**17,205,497**	**48,579,424**	**46,446,222**

			December 31, 2020
	Total non-current assets	Total assets	Total liabilities
	$	$	$
Exploration, evaluation, and development (Quiulacocha & Excelsior)	1,629,446	1,693,814	2,834,401
Coporate (Canada)	10,454	1,244,773	1,079,810
Total per consolidated statement of financial position	**1,639,900**	**2,938,587**	**3,914,211**

Year ended December 31, 2021 and 2020		Sales	Cost of Sales	Operating Expenses	Other expenses (revenues)	Income and mining taxes	Net Loss
		$	$	$	$	$	$
Production (Santander)	**2021**	9,111,188	5,787,674	1,154,827	(631,266)	817,195	1,982,757
	2020	-	-	-	-	-	-
Exploration, evaluation, and development (Quiulacocho and Excelsior)	**2021**	-	-	2,370,272	(45,515)	-	(2,324,757)
	2020	-	-	3,142,413	54,737	-	(3,197,150)
Coporate (Canada)	**2021**	-	-	2,080,671	190,580	-	(2,271,251)
	2020	-	-	3,986,275	229,292	33,257	(4,248,825)
Consolidated	**2021**	**9,111,188**	**5,787,674**	**5,605,770**	**(486,201)**	**817,195**	**(2,613,250)**
	2020	**-**	**-**	**7,128,688**	**284,030**	**33,257**	**(7,445,975)**

December 31, 2021 (In Canadian dollars unless otherwise noted)

23. INCOME TAXES:

(a) Relationship between expected tax expense and accounting profit or loss:

The effective income tax rate of the Company differs from the combined federal and provincial income tax rate in Canada. This difference results from the following items:

	December 31 2021	December 31 2020
	$	$
Loss before income taxes	(1,796,055)	(7,412,718)
Expected tax expense calculated using the combined federal and provincial income tax rate in Canada	26.50%	26.50%
Expected income tax recovery	(475,955)	(1,964,370)
Changes in unrecorded temporary differences	1,284,932	1,131,513
Difference in tax rates of the foreign subsidiary	83,123	(27,180)
Gain on bargain purchase	(188,966)	
Non-deductible change in fair value (non-taxable)	-	952
Share-based compensation and other non-deductible expenses	196,746	830,720
Other	(82,686)	61,622
Income tax expense	817,195	33,257
Income tax expense	104,115	-
Deferred income tax expense	713,080	33,257
Income tax expense	817,195	33,257

(b) Composition of deferred income taxes expense (recovery) in the statement of comprehensive loss:

	December 31 2021	December 31 2020
	$	$
Inception and reversal of temporary differences	(654,975)	(1,071,076)
Difference in tax rates of the foreign subsidiary	83,123	(27,180)
Changes in unrecorded temporary differences	1,284,932	1,131,513
Deferred income tax expense	713,080	33,257

(c) Movement in recognized deferred tax assets and liabilities during the year:

	December 31 2020	Recognized in profit or loss	Acquisition of a mining company	Foreign exchange	December 31 2021
	$	$	$	$	$
Accounts receivable		(189,657)	274,880		85,222
Inventories		176,225	(102,143)		74,082
Property and equipment	(13,787)	139,118		(1,078)	124,253
Exploration and evaluation assets	(54,076)	(44,547)	(955,557)	1,365	(1,052,815)
Trade account payables and other liabilities		405,124	296,559		701,683
Non-capital losses	14,587	(1,189,889)	1,199,342		24,040
Convertible debenture	(14,587)	(9,453)			(24,040)
	(67,863)	(713,080)	713,080	287	(67,575)

	December 31 2019	Recognized in profit or loss	Foreign exchange	December 31 2020
	$	$	$	$
Property and equipment	(35,503)	19,819	1,897	(13,787)
Exploration and evaluation assets	-	(53,076)	(1,000)	(54,076)
Non-capital losses	-	14,587	-	14,587
Convertible debentures	-	(14,587)	-	(14,587)
	(35,503)	(33,257)	897	(67,863)

December 31, 2021 (In Canadian dollars unless otherwise noted)

(d) Unrecognized deductible temporary differences:

Unrecognized deductible differences for which the Company has not recognized a deferred tax asset are presented in the following tables. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize benefits therefrom.

			December 31 2021			December 31 2020
	Canada	**Québec**	**Peru**	**Canada**	**Québec**	**Peru**
						$
Property and equipment	201,221	201,221	30,019,623	195,970	195,970	-
Marketable securities	25,156	25,156	-	7,187	7,187	-
Share issuance costs	163,639	163,639	-	135,693	135,693	-
Reserves and allowances						
Trade account payables and other liabilities	-	-	64,947	-	-	-
Promissory note and loans	178,916	178,916			-	
Derivative	66,185	66,185			-	
Lease liabilities	-	-		-	-	53,982
Non-capital losses carryforwards	7,619,248	7,607,370	3,448,444	5,459,910	5,459,910	1,176,394
	8,254,365	8,242,487	33,533,014	5,798,760	5,798,760	1,230,376

The ability to realize tax benefits is dependant upon a number of factors. Deferred tax assets are recognized only to the extent that it is probable that sufficient profits will be available to allow the asset to be recovered. As at December 31, 2021, deferred tax assets totalling $12,158,128 ($1,897,625 in 2020) have not been recognized.

(e) Non-capital losses:

The Company has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recognized in the consolidated statement of financial position, that can be carried over the following years:

	Federal	**Québec**	**Peru**
	$	**$**	**$**
2038	263,079	260,213	-
2039	1,887,216	1,878,204	-
2040	3,414,714	3,414,714	-
2041	2,054,239	2,054,239	-
Unlimited (1)	-	-	3,448,444
	7,619,248	7,607,370	3,448,444

(1) In the Peruvian tax system, you can either carry forward your losses for four years, or carry the losses forward indefinitely but to offset only up to 50% of the taxable income for each subsequent year.

24. SUPPLEMENTAL CASH FLOW INFORMATION:

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

	December 31, 2021	**December 31, 2020**
	$	**$**
Non-cash financing activities		
Shares issued as payment of consulting fees	68,160	120,477
Non-cash investing activities		
Acquisition of a mining company with common stock	2,085,223	-
Acquisition of a mining company with contingent consideration	1,431,355	-
Acquisition of a mining company payable	2,174,185	-
Mining properties in trade accounts payable and accrued liabilities	-	50,645

December 31, 2021 (In Canadian dollars unless otherwise noted)

25. 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:

	December 31, 2021	December 31, 2020
	$	$
Management and consulting fees	1,331,757	1,853,520
Salaries and director's fees	136,827	93,324
Share-based compensation	-	658,438
	1,468,584	2,605,282

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

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

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26. FINANCIAL ASSETS AND LIABILITIES:

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

		December 31, 2021		December 31, 2020
	Carrying amount	Fair value	Carrying amount	Fair value
		$	$	$
Financial assets				
Fair value through profit or loss (FVTPL)				
Marketable securities	104,217	104,217	136,560	136,560
	104,217	104,217	136,560	136,560
Financial assets				
Amortized cost				
Cash and cash equivalents	12,633,042	12,633,042	897,979	897,979
Cash and cash equivalents - restricted	1,387,795	1,387,795	-	-
Accounts receivables	11,428,664	11,428,664	-	-
Short-term investment	15,000	15,000	15,000	15,000
Other receivables (excluding sales tax receivable)	1,002,724	1,002,724	44,745	44,745
Cash and cash equivalents - restricted LT	1,246,759	1,246,759	-	-
	27,713,984	27,713,984	957,724	957,724
Financial liabilities				
Amortized cost				
Trade accounts payable and other liabilities (excluding sources deductions & contributions)	16,978,741	16,978,741	1,566,014	1,452,979
Convertible debenture	1,379,837	1,379,837	813,249	813,249
Promissory note	1,331,391	1,331,391	-	-
Loan	2,453,041	2,453,041	22,683	22,683
Balance of purchase payable	2,145,027	2,145,027	-	-
Fair value through profit or loss (FVTPL)				
Embedded derivative on convertible debenture	66,185	66,185	38,465	38,465
Contingent consideration payable	1,412,160	1,412,160	-	-
Warrants	37,607	37,607	100,559	100,559
	25,803,989	25,803,989	2,540,970	2,427,935

The fair value of cash and cash equivalents, cash and cash equivalents - restricted, accounts receivable, short-term investments, other receivables, trade accounts payable and other liabilities, promissory note and balance of purchase payable is comparable to its carrying amount given the short period to maturity, i.e. the time value of money is not significant.

The fair values of the marketable securities are $104,217 as at December 31, 2021 ($136,560 as at December 31, 2020) and are determined by using the closing price for December 31, 2021 and December 31, 2020.

The fair values of the convertible debenture and the loan are $1,379,837 and $2,453,040 respectively as at December 31, 2021 ($813,249 as at December 31, 2020 for the convertible debenture) and is determined by using the estimated market rate that the Company would have obtained for a similar financing through the discounted cash flows method.

The fair values of the embedded derivative on convertible debenture is $66,185 as at December 31, 2021 ($38,465 as at December 31, 2020) and is determined by using the estimated market rate that the Company would have obtained for a similar financing through the discounted cash flows method.

December 31, 2021 (In Canadian dollars unless otherwise noted)

The fair values of the warrants are $37,607 as at December 31, 2020 ($100,559 as at December 31, 2020) and are determined by using the Black- Scholes option pricing model for December 31, 2021 and December 31, 2020.

The fair value of the contingent consideration is $1,412,160 as of December 31, 2021 based upon the acquisition terms of Santander which included repayment of $US $2.5 million twelve months after the closing contingent upon the average zinc price remaining above US $1.30/lb (US $2,866/tonne) during this period. The fair value of the contingent payment was estimated using the Digital/Binary Call Option Pricing Model where the payments are contingent upon achieving a future milestone with a binary payoff structure with the risk of earnout cash flow depending on the risk of the underlying metric and counterparty credit risk.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (that is, derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The loan and the convertible debenture were classified under level 2 in 2020.

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

			December 31, 2021
	Level 1	**Level 2**	**Level 3**
	$	$	$
Marketable securities			
Fair value through profit or loss (FVTPL)	104,217	-	-
Contigent consideration			
Fair value through profit or loss (FVTPL)		1,412,160	-
Convertible debenture			
Amortized cost	-	1,379,837	-
Embedded derivative on convertible debenture			
Fair value through profit or loss (FVTPL)	-	66,185	-
Loan			
Amoritized cost	-	812,193	-
Warrants			
Fair value through profit or loss (FVTPL)	-	37,607	-

December 31, 2021 (In Canadian dollars unless otherwise noted)

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

27. CAPITAL MANAGEMENT POLICIES AND PROCEDURES:

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

The Company's capital management objectives are:

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

These objectives will be achieved by production of zinc and lead-silver concentrates located at the Santander mining operations as well as identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

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

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

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

	December 31, 2021	December 31, 2020
	$	$
Obligation under capital lease	-	-
Convertible debenture	1,379,837	813,249
Embedded derivative on convertible debenture	66,185	38,465
Loan	2,453,041	22,683
Warrants	37,607	100,559
(Deficiency) Equity	2,133,202	(975,624)
	6,069,872	(668)

December 31, 2021 (In Canadian dollars unless otherwise noted)

28. FINANCIAL INSTRUMENT RISKS:

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

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

Credit risk:

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

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

Credit risk of accounts receivable and other receivable is considered mitigated since the sale of inventory is primarily to one customer with good credit and the expected credit losses for the other receivable are considered immaterial since the amount is guaranteed. The credit risk of cash and cash equivalents and short-term investments is considered negligible since the counterparty which holds the cash and cash equivalents is a reputable bank with excellent external credit rating.

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

Liquidity risk:

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

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

	Less than 1 year	1-5 years	More than 5 years	December 31, 2021 Total
Trade accounts payable and other liabilities	16,978,741	-	-	16,978,741
Convertible debenture	1,650,000	-	-	1,650,000
Embedded derivative on convertible debenture	75,000	-	-	75,000
Promissory note	1,500,000	-	-	1,500,000.00
Loan	1,633,213	856,643	-	2,489,856
Balance of purchase payable	2,145,027	-	-	2,145,027
Contingent consideration payable	3,150,000	-	-	3,150,000

	Less than 1 year	1-5 years	More than 5 years	December 31, 2020 Total
	$	$	$	$
Trade accounts payable and other liabilities	1,452,979	-	-	1,452,979.00
Convertible debenture	1,000,000	-	-	1,000,000.00
Embedded derivative on convertible debenture	50,000	-	-	50,000.00
Loan	-	30,000	-	30,000.00

Metals Pricing risk:

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of mineral products it produces which is sells into global markets. The market prices are the key drivers of the Company's capacity to generate cash flow.

Foreign currency risk:

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

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

Foreign currency risk:

	December 31, 2021	December 31, 2020
Cash and cash equivalents	2,076,110	12,968
Other receivables	627,872	9,804
Prepaid expenses	17,446	106,420
Trade accounts payable and other liabilities	(4,286,917)	(798,318)
Loans	(2,418,258)	-
Net exposure	(3,983,747)	(669,126)

Based on the above net exposure as at December 31, 2021 and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against USD would result in a change of $392,696 ($72,937 in 2020) in the Company's comprehensive loss.

29. CONTINGENCY

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

30. SUBSEQUENT EVENTS

On January 24, 2022, the Company issued to a service provider 60,000 common shares valued at $15,000 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, except for 53,150 warrants held by insiders of the Corporation which remained at an exercise price of $0.65.

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 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 $7,500 for business development consultancy and consulting fees.

On March 28, 2022, the Company issued to a service provider 303,797 common shares valued at $79,949 for business development consultancy and consulting fees.

On March 28, 2022, the Company issued to a service provider 303,797 common shares valued at $79,949 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 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 $85,714 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 per share, for a period of five years, as long as he remains employee of H2 Sphere.